ILLINOIS COMMERCE COMMISSION

ANNUAL REPORT

ON ELECTRICITY, GAS, WATER AND SEWER UTILITIES

2010

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COMMERCE COMMISSION

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ICC Annual Reports

This report is one of four annual reports issued by the Illinois Commerce Commission.

Annual Report on Electricity, Gas, Water and Sewer Utilities

(issued 1985—1995 as Annual Report on Public Utilities)
This report may be obtained from:
Illinois Commerce Commission
Chief Clerk's Office
527 E. Capitol Avenue
Springfield, Illinois 62701
217/782-7434
Also on: www.icc.illinois.gov

Annual Report on Telecommunications

This report may be obtained from:
Illinois Commerce Commission
Chief Clerk's Office
527 E. Capitol Avenue
Springfield, Illinois 62701
217/782-7434
Also on: www.icc.illinois.gov

Annual Report on the Transportation Regulatory Fund

This report may be obtained from:
Illinois Commerce Commission
Transportation Division
Walk-In Center
527 E. Capitol Avenue
Springfield, Illinois 62701
217/782-4654

Annual Report on the Use of the Grade Crossing Protection Fund

This report may be obtained from:
Illinois Commerce Commission
Transportation Division
Walk-In Center
527 E. Capitol Avenue
Springfield, Illinois 62701
217/782-4654

The ICC On Line

Agendas for Commission meetings, selected Commission orders, annual reports, and other information are available on line from the Commission's Web Site: www.icc.illinois.gov

ICC's Electronic Docketing System
http//eweb.icc.illinois.gov/e-docket

Plug In Illinois—Choosing an Electric Supplier
http://www.pluginillinois.org/

Contacting the ICC

Springfield and Chicago Offices

Illinois Commerce Commission
527 E. Capitol Avenue
Springfield, Illinois 62701

Illinois Commerce Commission
160 N. LaSalle, Suite C-8OO
Chicago, Illinois 60601

For any public utility service issue, for assistance, or information, or to file an informal complaint, please contact the ICC's Consumer Services Division.

Toll-free: 800/524-0795 (In Illinois only)
800/858-9277 (TTY)

Chicago:
Illinois Commerce Commission
Consumer Services Division
160 N. LaSalle Street
Suite C-8OO
Chicago, IL 60601

Springfield:
Illinois Commerce Commission
Consumer Services Division
527 E. Capitol Avenue
Springfield, Illinois 62701

On matters pertaining to trucking, and household goods moving, which are under the Commission's jurisdiction, please contact the Transportation Division Walk-In Center in Springfield.
217/782-4654
217/782-4915 (TTY)

For Railroad Safety issues, please contact:
217/782-7660

For Relocation Towing issues please contact:
Illinois Commerce Commission
Des Plaines Compliance Office
847/294-4326

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January 31, 2011

The Honorable Pat Quinn
Governor, State of Illinois
State Capitol, Springfield, Illinois

Chairman and Members, Joint Committee on Legislative Support
Service 313 State Capitol, Springfield, Illinois

Dear Governor, Chairman and Members of the Joint Committee:

We are pleased to submit to you the Commission's 2010 Annual Report on Electricity, Gas, Water, and Sewer Utilities. This Report covers the period of January 1, 2010, through December 31, 2010.

The Annual Report is submitted in compliance with the Public Utilities Act and specifically addresses the items cited in Section 4-304 of that Act, which requires the Commission to report on the following subjects: a general review of agency activities; a discussion of the utility industry in Illinois; a discussion of energy planning; the availability of utility services to all persons; implementation of the Commission's statutory responsibilities; appeals from Commission orders; studies and investigations required by state statutes; impacts of federal activity on state utility service; and recommendations for proposed legislation.

Among other Commission reports provided to the Governor and General Assembly each year are the following:

Annual Report on Telecommunications
Annual Report on the Transportation Regulatory Fund
Annual Report on the Use of the Grade Crossing Protection Fund

Additional information about the Commission and its activities is available from the Commission's web site listed on the previous page.

Sincerely,

Manuel Flores
Acting Chairman

TABLE OF CONTENTS

ILLINOIS COMMERCE COMMISSION

YEAR IN REVIEW

2010

ENERGY ISSUES: Electricity

Electric Restructuring

The electric market was opened to approximately 4.4 million residential customers May 1, 2002. At the end of 2010, 43 alternative suppliers were eligible to serve non-residential customers; however, nine of those suppliers had secured Commission approval only to serve themselves or their affiliates. Thirteen suppliers were eligible to serve residential customers. To assist customers who may be considering switching to an alternative provider for electric service, the ICC website provides a list of the names, addresses, contact personnel, and telephone numbers of those companies providing alternative retail electric service.

Office of Retail Market Development

Pursuant to Public Act 94-1095 (the "Retail Electric Competition Act of 2006"), the Commission established the Office of Retail Market Development in 2008 with a director and two staff. New Section 20-102 of the Public Utilities Act requires the Commission to promote the development of an effectively competitive retail electricity market that is effective and beneficial to all Illinois consumers. To this end, the Office of Retail Market Development focused its initial efforts on the implementation of Public Act 95-0700, which became effective in November 2007. Public Act 95-0700 requires Commonwealth Edison and the three Ameren Companies to file tariffs to provide a consolidated bill to retail customers and purchase the receivables of electric suppliers. These requirements are designed to remove some barriers to competition for residential and small commercial customers in Illinois. The Ameren Illinois Company's utility consolidated billing and purchase of receivable program has been available since October 17, 2009. On January 20, 2010, Commonwealth Edison filed tariffs to implement a combined purchase of receivables with consolidated billing program. It was approved in December 2010. The Commission concluded in the Order approving Ameren's utility consolidated billing and purchase of receivables program that consumer education and protection are very important for any program promoting retail electric choice and therefore directed Staff to submit a proposed First Notice Rule of consumer protections and education measures. Staff submitted to the Commission proposed obligations of retail electric suppliers which include additional consumer protections and education measures. On December 2, 2009, the Commission entered a First Notice Rule and initiated a Docket to provide interested parties further opportunities to comment on Staff's proposal. Several rounds of comments have been filed and the parties are currently awaiting the ALJ's Proposed Order.

Alternative Retail Electric Supplier Service

As of September 2010, approximately 90,000 non-residential customers were purchasing power and energy from an Alternative Retail Electric Supplier or an electric utility selling outside its service area; this is an increase of 27 percent over the last year. The percentage of RES usage among all non-residential customers in the service territories of the three Ameren Companies and Commonwealth Edison is approximately 75 percent. During 2008, the first residential customers switched to alternative suppliers since the residential market opened in May 2002. As of September 30, 2010, 941 residential electric customers had switched to an alternative supplier; this is an increase of 300 percent over last year. Detailed electric customer switching statistics can be viewed on the Commission's web page at. http://www.icc.illinois.gov/electricity/switchingstatistics.aspx.

Electric Rate Proceedings

During 2010, the Commission approved an order for rate filings for the Ameren companies for delivery services (Docket Nos. 09-0306/0307/0308) as well as an order for the issues in the rehearing phase of these dockets. Subsequent to the conclusion of the Commonwealth Edison rate case in 2008, the Commission initiated an investigation into the Company's rate design (Docket No. 08-0532), which was completed with a Commission order in April 2010. ComEd filed a delivery service rate case in June 2010 (Docket No. 10-0467).

CONSUMER EDUCATION PROGRAMS

Electric Customer Choice –"Plug in Illinois"

The Illinois Electric Service Customer Choice and Rate Relief Law of 1997 restructured the state's electricity utility industry. Section 16-117 of the Public Utilities Act requires the Illinois Commerce Commission to maintain a consumer education program to provide residential and small commercial retail customers with information to help them understand their service options, rights and responsibilities. The ORMD updated the content on the Commission's electric choice website and made the information available under the new pluginillinois.org website.

Natural Gas Choice

In some parts of Illinois, natural gas utilities voluntarily offer their residential and small retail commercial customers the opportunity to choose their supplier of natural gas. Alternative Gas Suppliers offering service to these customers must be licensed by the ICC. A new law (Public Act 95-1051) which took effect April 10, 2009 expanded consumer rights and protections. In accordance with Section 19-125 of the Public Utilities Act, the Commission website now includes consumer education information to help residential and small commercial customers understand their gas supply options and their rights and responsibilities. The educational information includes choices available, guidance for selecting an alternative gas supplier, comparisons of the prices and terms of products offered by alternative suppliers and procedures for addressing complaints.

The Commission fined alternative gas supplier Just Energy $90,000 for violations of the Alternative Gas Supplier Law in April 2010 and ordered an independent audit of its sales practices. The Commission directed Just Energy, formerly known as U.S. Energy Savings, to comply with specific corrective measures intended to reduce the number of customer complaints.

ENERGY ISSUES: Gas

Gas Price Increases

During 2010 orders were issued approving new delivery rates for Peoples Gas Co. and North Shore Gas Co (Docket Nos. 09-0166 and 09-0167), MidAmerican Energy Company (Docket No. 09-0312) and AmerenCILCO, AmerenCIPS and AmerenIP (Docket Nos. 09-0309/0310/0311). Orders were entered in each of the cases in 2010. The Commission continued in 2010 to monitor the commodity cost of natural gas through its reviews and reconciliations of Purchase Gas Adjustment filings submitted by the gas utilities.

FERC

In 2010, the Federal Energy Regulatory Commission ("FERC") continued to focus on improving the efficiency and transparency of the electricity and natural gas markets. With regards to natural gas, FERC's gas policy looks to improve the efficiency and transparency of the natural gas market, encourage the development of new natural gas storage capacity and transportation infrastructure, increase competition and protect consumers against excessive pipeline transportation rates. In 2010, FERC continued its efforts to expand natural gas infrastructure by approving numerous pipeline expansions, liquefied natural gas import terminals and storage field projects. Natural gas production from shale increased in 2010, which, when paired with economic conditions, put downward pressure on natural gas prices. On the electricity side, the US Court of Appeals for the 7th Circuit remanded FERC's order on PJM's cost allocation policy for new 500 kV and above transmission facilities. The ICC appealed the FERC's order to the US Court of Appeals in 2008 after the FERC rejected the ICC's requests for rehearing. The ICC argued that FERC's decision effectively imposed a billion dollars in costs on Illinois electric customers with no benefit and would impose additional billions of dollars in costs in the future. The integration of renewable energy sources and the development of associated infrastructure has also become a top initiative of FERC. PJM and the Midwest ISO have issues before FERC regarding long-term resource procurement and the cost allocation of new transmission facilities that will impact the price and reliability of electric service in Illinois. Because of this, the ICC remains actively engaged in RTO cases to ensure that Illinois' interests are adequately represented.

WATER AND SEWER ISSUES

Aqua Illinois, Inc. ("Aqua") is the state's second largest investor-owned water and sewer utility. In January 2010, the Commission approved Aqua's acquisition of the wastewater collection and treatment system of Ellwood Greens Utility Corporation. In May 2010, the Commission approved Aqua's acquisition of the water production and distribution system of Northern Illinois Investment Group, Inc. In December 2010, the Commission issued an Order approving a water rates increase for Aqua's Kankakee Division.

In March 2010, Northern Hills Water and Sewer Company, a Utilities, Inc. subsidiary, filed revised tariffs requesting a general increase in water and sewer rates.

In May 2010, Del-Mar Water Company, a Utilities, Inc. subsidiary, filed revised tariffs implementing an increase in water rates due to the actual cost of its water distribution system replacement exceeding the estimated cost by 55 percent. The Commission's Order in Docket No. 02-0592 authorized the Del-Mar Water Company to file revised rate tariffs if the actual cost differed by 5 percent or more from the estimated cost.

In August 2010, the Commission cancelled Certificates of Public Convenience and Necessity for County Line Water Company, a Utilities, Inc. subsidiary, which was purchased by the Village of Palatine.

In September 2010, the Commission issued an Order approving a water rates increase for Apple Canyon Utility Company and Lake Wildwood Utilities Corporation, two Utilities, Inc. subsidiaries.

Also in September 2010, the Commission approved revised tariffs increasing water rates using the Simplified Rate Case Procedures for the Sheridan Grove Subdivision service area of Woodlawn Utilities Corporation.

In October 2010, the Commission issued an Order approving a water rates increase for Whispering Hills Water Company, a Utilities, Inc. subsidiary.

In December 2010, Bahl Water Corporation filed an application for a general water rates increase using the Simplified Rate Case Procedures.

Also in December 2010, the Commission issued an Order approving water and sewer rate increases for Galena Territory Utilities, Inc., a subsidiary of Utilities, Inc.

Also in December 2010, Great Northern Utilities, Inc. and Lake Holiday Utilities Corporation filed revised tariffs requesting a general increase in water rates. Camelot Utilities, Inc. also filed revised tariffs requesting a general increase in water and sewer rates. All three utilities are subsidiaries of Utilities, Inc.

Water and sewer utilities continued their usage of surcharges for purchased water, purchased sewage treatment, and qualifying infrastructure plant.

COMMISSION ACTIVITIES

As of the end of December 2010 the Commission had approved licenses for 100 agents, brokers or consultants who sought authority to procure or sell retail electricity to utility customers in Illinois. Sixteen applications for licenses were pending. Sample applications for licensing, bond information and administrative code parts outlining the licensing requirements, as well as a code of conduct are available on the ICC's website. Agents, brokers and consultants applying for licenses to sell or market electricity in Illinois must adhere to the rules and provide the Commission with evidence of managerial, technical and financial capability. Each application must be reviewed within 90 days in compliance with the Public Utilities Act.

The Commission's Electric Policy and Natural Gas committees met with electric and natural gas utility, and energy executives to discuss energy supply issues, demand forecasts for 2011. The Commission also reviewed and approved the Illinois Power Agency's proposal to procure electricity for ComEd and Ameren Illinois' residential and small commercial customers in 2011.

The Commission received 49 requests from persons wishing to address the Commission at its regulator bench sessions during 2009 and each request was granted in accordance with Section 2-107 of the Public Utilities Act which states "at each regular or special meeting that is open to the public, members of the public shall be afforded time ...to make comments or to ask questions of the Commission."

In October, the Illinois Statewide Smart Grid Collaborative (Collaborative) submitted its report as directed by the ICC providing a detailed analysis of the issues surrounding the development of a smart grid in Illinois. The ICC ordered the two largest utilities in Illinois, ComEd and Ameren, to collaborate in a series of workshops to investigate and debate issues central to the development of the smart grid. The resulting initiative included a wide range of stakeholders including utilities, consumer advocates, government officials and other key policymakers to consider smart grid issues.

The full report, available at: http://www.icc.illinois.gov will be considered in a Smart Grid Policy Docket in which the Commission may adopt the policy framework developed in the Statewide Smart Grid Collaborative in whole or in part, or modify the policy framework. It is the Commission's stated goal that these activities ensure that consumers are the primary beneficiaries of smart grid deployment in Illinois.

In anticipation of the introduction of plug-in electric vehicles into the Illinois market, along with the growing interest in natural gas and other alternative fuel vehicles, the ICC announced in September its plans to ensure that the state's electric grid and natural gas distribution systems are prepared for these forthcoming changes.

The Commission anticipates this Initiative will position Illinois to take advantage of Federal programs designed to spur adoption of this new green mode of transportation. It also will help ensure that early adopters in Illinois enjoy a rewarding experience with their new vehicles as well as encourage manufacturers and distributors of these new products to focus on the Illinois economy.

INTRODUCTION

The following report for calendar year 2010 was prepared to meet the requirements of the Public Utilities Act (PA-84-617). Section 4-304 of this Act instructs the Illinois Commerce Commission to prepare an annual report and provide copies to the Joint Committee on Legislative Support Services of the General Assembly, the Public Counsel, and the Governor.

Nine specific sections on which the Commission is asked to report are cited in the Act. The report is therefore divided into nine main parts, as follows:

A general review of agency activities;
A discussion of the utility industry in Illinois;
A discussion of energy planning;
The availability of utility services to all persons;
Implementation of the Commission's statutory responsibilities;
Appeals from Commission orders;
Studies and investigations required by state statutes;
Impacts of federal activity on state utility service; and
Recommendations for proposed legislation.

For the convenience of the reader, each part is given the same number designation as the corresponding subsection of the Public Utilities Act that it addresses.

Other information about the Commission and its activities is available from the Commission's web site, www.icc.illinois.gov.

During 2010, the following persons (listed alphabetically) served as members of the Illinois Commerce Commission.

Charles E. Box

John T. Colgan

Sherman J. Elliott

Manuel Flores

Lula M. Ford

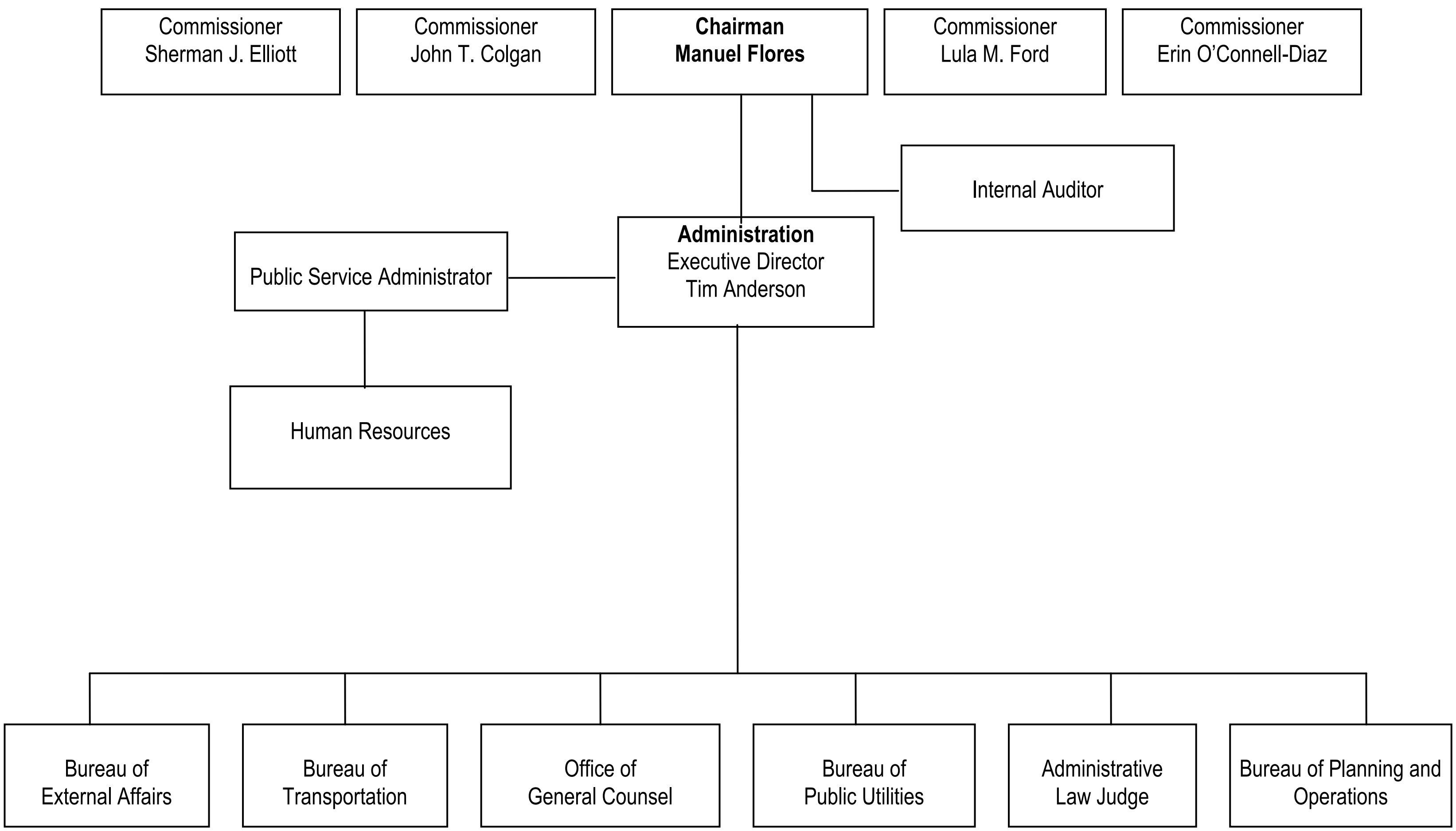
Erin M. O'Connell-Diaz

ILLINOIS COMMERCE COMMISSION

STATEMENT OF MISSION

The Illinois Commerce Commission, in a period of emerging reliance on the marketplace to ensure fairly-priced, reliable, and adequate utility services, will protect consumer interests and manage the transition of network industries from regulation to efficient competition through the use of innovative regulatory practices. Through its actions, the ICC shall generally promote effective competition in utility and transportation industries, enhanced consumer choice, efficient and effective dispute resolution, and the sharing of impartial and comprehensive information within its jurisdiction as provided by law.

ILLINOIS COMMERCE COMMISSION
ORGANIZATION CHART



SECTION 1

General Review of Agency Activities

Public Utilities Act Section 4-304 requires:

(1) A general review of agency activities and changes, including:

(a) a review of significant decisions and other regulatory actions for the preceding year, and pending cases, and an analysis of the impact of such decisions and actions, and potential impact of any significant pending cases;

(b) for each significant decision, regulatory action and pending case, a description of positions advocated by major parties, including Commission staff, and for each such decision rendered or action taken, the position adopted by the Commission and reason therefore;

REVIEW OF SIGNIFICANT COMMISSION DECISIONS

Appendix A of this report contains summaries of significant Commission decisions made and other regulatory actions taken in 2010. These summaries are by no means exhaustive, but they do provide a representative sampling of Commission actions. If the reader would like to know more about any of the cases discussed in this report, both the Commission's order and the record for decision are available for examination in the Commission's Springfield office. In any proceeding in which the Commission has entered an order on the merits, the best summary of positions advocated and reasons for the Commission's adoption of a position is contained in the order itself.

Copies of these documents are available free of charge to public officers; others may obtain copies upon payment of the fee established in Section 2-201 of The Public Utilities Act. Selected orders and other Commission documents may be found on the Commission's web page (www.icc.illinois.gov) or in the Commission’s electronic docketing system (http//eweb.icc.illinois.gov/e-docket).

PENDING CASES

As noted above, Section 4-304 of the Public Utilities Act also requires a review of pending cases, including an analysis of the potential impact and a description of positions advocated by staff and major parties. The Commission feels that it is precluded from entering into discussions of pending issues or characterizing positions advocated by staff and parties in pending cases. The dangers of acting otherwise include the possibility of violating restrictions on ex parte communications (see Section 10-103 of the Public Utilities Act and 83 Ill. Adm. Code 200.710) and the possibility of later being held to have prejudged issues pending before the Commission as of the date of this report. The Commission's record in pending cases is available for examination through the Chief Clerk's Springfield office.

SIGNIFICANT REGULATORY ACTIONS

Significant actions taken by the Commission during 2010 are described in the summary statement, "The Year in Review," immediately preceding this section.

(1-c) a ***description of the Commission's budget, caseload, and staff levels, including specifically:***

(i) a breakdown of type of case by the cases resolved and filed during the year and of pending cases;

CASES FILED DURING 2010

Table 1-1, Utility Cases Monthly Report, on the following page shows the cases and filings for each month for the years 2008, 2009 and 2010. This table also shows the totals by type for the year.

e-DOCKET: ICC's ELECTRONIC DOCKET FILING SYSTEM

To aid both the Commission staff and the public at large, the Illinois Commerce Commission has developed an electronic filing, reporting, and case management system called e-Docket that is accessible on the World Wide Web.

e-Docket is a Web-based, automated information and records-keeping system. It was developed to process and manage public information about the Commission's official cases and rulemaking proceedings. A person using e-Docket may conduct searches in two ways:

- **Search for cases:** permits searches by case types, service types, companies, and/or a date range as parameters.
- **Search for documents:** permits searches by document types, docket numbers, and/or a date range.

e-Docket has a variety of practical uses. Anyone interested in case proceedings conducted by the ICC may visit the e-Docket web site at http://eweb.icc.illinois.gov/e-docket and view a wealth of information about active and closed cases initiated on or after January 1, 2000.

e-DOCKET USERS MANUAL
PROVIDES INSTRUCTIONS FOR SEARCHING FOR DOCUMENTS

A twenty-four-page e-Docket users manual is available on the e-Docket web site to assist viewers in finding information about cases. It is important to remember, however, that e-Docket was first used as a way to store electronic documents in January 2000. Documents created prior to January 1, 2000, were filed with the Commission in paper format only. These are available for viewing in the Commission's Chief Clerk's Office.

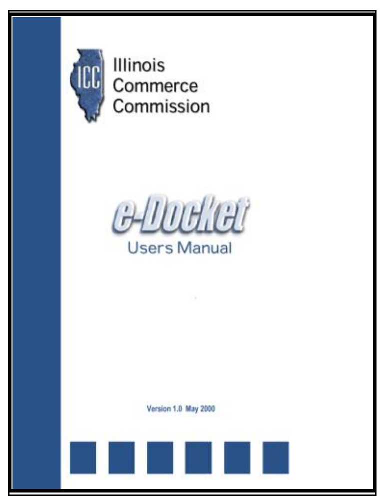


Table 1-1
Utility Cases Monthly Report

MONTHLY TOTALS	Current Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Calendar Year To Date
Filings:														
New Cases	2010	84	70	99	64	42	65	56	48	41	56	54	65	744
	2009	61	64	59	40	37	35	51	52	38	45	109	32	623
	2008	82	88	75	45	66	60	49	47	46	35	54	43	690
Filings/Reports (SPI)	2010	845	219	704	631	519	446	674	783	551	706	529	588	7,195
	2009	575	585	454	574	444	384	604	689	548	599	657	752	6,865
	2008	926	630	774	874	710	835	704	642	360	524	408	372	7,759
Filings/Reports (CHI)	2010	-	-	-	-	-	-	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-	-	-	-	-	-	-
Hearing & Commission Action Notices	2010	148	166	189	177	170	161	220	201	152	173	159	138	2,054
	2009	107	106	115	119	106	116	160	136	163	130	135	159	1,552
	2008	146	138	141	147	127	144	137	123	157	107	100	96	1,563
Supplemental/Reopen Petitions	2010	-	-	-	-	-	-	-	-	-	-	-	-	-
	2009	-	-	-	-	-	1	-	-	1	-	3	-	5
	2008	-	1	-	-	-	-	1	-	-	-	-	-	2
Petitions for Rehearing	2010	1	9	-	2	14	13	4	-	-	6	-	7	56
	2009	-	-	1	5	4	-	3	2	-	-	2	-	17
	2008	-	2	14	-	-	-	2	4	1	39	1	-	63
Notice of Appeals	2010	2	2	2	1	-	1	5	1	-	1	2	2	19
	2009		-	1	-	2	-	-	3	2	-	-	-	8
	2008													-
														-
Cases Closed	2010	48	72	83	82	59	86	56	52	69	56	33	89	785
(Orders/Commission Actions)	2009	24	65	75	41	52	38	46	42	36	34	50	59	562
	2008	46	68	90	73	50	46	73	45	46	42	56	57	692
Tariff Filings	2010	122	115	157	118	175	197	122	122	115	100	122	160	1,625
	2009	131	109	140	116	237	139	144	95	121	116	92	131	1,571
	2008	104	117	161	130	126	118	109	145	125	151	100	117	1,503

(ii) a description of the allocation of the Commission's budget, identifying amounts budgeted for each significant regulatory division, or office of the Commission and its employees.

(iii) a description of current employee levels, identifying any change occurring during the year in the number of employees, personnel policies, and practices or compensation levels; and identifying the number and type of employees assigned to each Commission regulatory function and to each department, bureau, section, division, or office of the Commission.

The following table shows the Commission's budget and authorized headcount by divisions and funding source.

TABLE 1-3

Budget and Headcount by Division

For Fiscal Year 2011

	Chairman & Commissioners		Public Utility Division		Transportation Division		Totals	
	Head Count	Budget $	Head Count	Budget $	Head Count	Budget $	Head Count	Budget $
Public Utility Fund	14	1,552,000	203	26,958,000	0	0	217	28,510,000
Transportation Fund	1	121,500	0	0	69	15,822,000	70	15,943,500
Digital Divide Infrastructure Fund	0	0	0	0	0	0	0	0
Capital Development Fund	0	0	0	0	0	52,857	0	52,857
Underground Utilities Damage Prevention Fund	0	0	0	151,000	0	0	0	151,000
Wireless Carrier Reimbursement Fund	0	0	0	8,500,000	0	0	0	8,500,000
Wireless Services Emergency Fund	0	0	0	64,000,000	0	0	0	64,000,000
Totals	15	1,673,500	203	99,609,000	69	15,874,857	287	117,157,357

Headcount is shown at the authorized level for FY11

Budget $ shown represent the FY11 appropriation.

(1-d) a description of any significant changes in Commission policies, programs or practices with respect to agency organization and administration, hearings and procedures or substantive regulatory activity.

AGENCY ORGANIZATION AND ADMINISTRATION

There were no significant changes in Commission policies or programs with respect to agency organization or administration in 2010.

SECTION 2

A Discussion of the Utility Industry in Illinois

2. A discussion and analysis of the state of each utility industry regulated by the Commission and significant changes, trends and developments therein, including the number of types of firms offering each utility service, existing, new and prospective technologies, variations in the quality, availability and price for utility services in different geographic areas of the State, and any other industry factors or circumstances which may affect the public interest or the regulation of such industries.

SIGNIFICANT DEVELOPMENTS IN THE ILLINOIS REGULATORY ENVIRONMENT

Many of the developments in the electric industry came in the aftermath of the end of the rate reductions and freeze originally set forth in the Electric Service Customer Choice and Rate Relief Law of 1997 ("the 1997 Law"). Concern over higher rates subsequent to the end of the rate freeze culminated in the Illinois Power Agency Act, P.A. 095-0481 ("the IPAA"). The IPAA created a state agency, the Illinois Power Agency, to procure power and renewable energy resources for Commonwealth Edison Company ("Commonwealth Edison") and the three Illinois Ameren Companies (AmerenCILCO, AmerenCIPS, and AmerenIP). In addition, the IPAA required that major utilities meet goals for energy efficiency and demand response programs.

Public Act 96-0033 (Senate Bill 1918), which became effective in 2009, is likely to produce significant changes for Illinois electric and gas public utilities, their customers, and the Commission. This Act directs electric and gas utilities serving more than 100,000 customers to offer percentage of income payment plans to their customers; these plans would provide assistance to customers paying more that six percent of their income for electric and gas utility bills combined. The Act also directs the same electric and gas utilities to offer their customers on-bill financing for the purchase of cost-effective energy efficiency measures. It allows all electric and gas utilities to recover excess bad debt expenses through an automatic rate adjustment mechanism generally known as a "rider." The Act clarifies the deadline for the electric utilities to file plans outlining energy efficiency and demand response measures, and requires gas utilities with more than 100,000 customers to implement energy efficiency measures. The Act also adds restrictions on the employment of former Commissioners and Commission employees, requires the Commission to address specifically utility rate case expenditures for attorneys and experts in each general rate case, requires transcripts of all Commission meetings to be a part of the record in each case, and expands the scope of prohibited communications pertaining to rate matters. Finally, the Act imposes renewable portfolio standards on alternative retail electric suppliers and utilities operating outside their service territories.

Electric Power Procurement Obligations

Wholesale electricity purchased by Commonwealth Edison Company ("ComEd") and Central Illinois Light Company, Central Illinois Public Service Company, and Illinois Power Company (collectively, "Ameren") is subject to Section 1-75 of the Illinois Power Agency Act ("IPA Act")[1] and Section 16-111.5 of the Public Utilities Act ("PUA")[2]. These laws include the following major features:

- An annual procurement plan is prepared by the Illinois Power Agency ("IPA").
  - A draft plan is first submitted (by August 15) and subject to a 30-day public comment period.
  - At the end of the 30-days, the revised plan is filed with the Commission.
  - Parties have five days to raise objections with the filed plan.
  - The Commission has another five days to determine if hearings should be held.
  - A Commission order approving or modifying the plan must be entered within 90 days of the plan filing.[3]
- Procurement of "standard products" must be made through sealed-bid, pay-as-bid RFP processes.
- Procurement of "renewable energy resources" is also required according to the States' renewable portfolio standard ("RPS"), consisting of a schedule and a set of restrictions and preferences detailed in Section 1-75(c) of the IPA Act[4].

[1] 20 ILCS 3855/1-75
[2] 220 ILCS 5/16-111.5
[3] There is currently a procurement plan proceeding before the Commission (Docket 09-0373), and Ex Parte laws prevent any discussion of that case within this briefing.

- The RFP process is conducted by an IPA-hired and Commission-approved "procurement administrator."
- The RFP process is monitored by a Commission-hired "procurement monitor." At present, the Commission's procurement monitor is the consulting firm of Boston Pacific Company.
- The procurement administrator and monitor independently submit to the Commission confidential reports within two business days after the receipt of bids.
- The Commission reviews the confidential reports and either accepts or rejects the recommendations of the procurement administrator within two business days after receipt of the reports.
- If, by the above action, the Commission approves of utilities entering into contracts, then contracts with winning bidders are executed within three business days.

To date, the implementation of plans subject to the above-cited portions of the IPA Act and the PUA has concluded with a series of five separate bidding events in the spring for five types of contracts:

1. Financial energy swaps entered into by the Ameren to establish fixed-quantity price hedges vis-à-vis MISO[5] day-ahead and real-time spot prices over portions of a one to three-year period.
2. Analogous physical energy contracts entered into by ComEd, to establish fixed-quantity price hedges vis-à-vis PJM[6] day-ahead and real-time spot prices over portions of a one to three-year period.
3. Contracts for a fixed quantity of renewable energy certificate ("REC") generated during the upcoming 12-month plan year, in order to enable Ameren to satisfy the State's RPS.
4. Analogous REC contracts to enable ComEd to satisfy the State's RPS.
5. Capacity contracts to enable Ameren to satisfy resource adequacy requirements of MISO over portions of a one to three-year period.[7]

The results of previous procurements can be found on the Commission's web site at http://www.icc.illinois.gov/electricity/ElectricityProcurement.aspx.

Shortly after the conclusion of the spring procurement events, Ameren and ComEd revised the base level of retail charges through which the costs of electricity and RECs are recovered from customers. Actual revenues and actual costs are monitored on a monthly basis, and rates are adjusted, as necessary, to minimize the accumulation of a revenue-cost imbalance. An annual audit and reconciliation proceeding is also held.

Retail Electric Choice

The Electric Service Customer Choice and Rate Relief Law of 1997 restructured the state's electric service industry to allow for competition among suppliers. The 1997 Law established a fixed timetable for the introduction of electric retail choice in Illinois, beginning with approximately 64,000 non-residential electric customers, or about one-seventh of all non-residential customers, on October 1, 1999. An additional 609,000 non-residential customers became eligible for retail choice on January 1, 2001. An estimated 4.4 million Illinois residential customers became eligible for the retail choice program in May 2002. All customer classes are now eligible to choose alternative suppliers. At the end of December 2010, 43 suppliers were certified to serve non-residential customers though nine of those sought Commission authority to only serve themselves or affiliates. Thirteen suppliers were certified to serve residential customers. Approximately 90,000 non-residential customers in Illinois were purchasing power and energy from a Retail Electric Supplier (RES) as of September 30, 2010. The percentage of RES usage among non-residential customers with a peak demand above one megawatt in the service territories of the three Ameren Companies and Commonwealth Edison continues to exceed 90 percent. There were 941 residential customers taking electricity service from a RES in Illinois at the end of September 2010. Detailed electric customer switching statistics can be viewed on the Commission's web page at http://www.icc.illinois.gov/electricity/switchingstatistics.aspx.

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[4] 20 ILCS 3855/1-75(c)

[5] MISO is the Midwest Independent Transmission System Operator. It is the regional transmission organization ("RTO") to which Ameren belongs. MISO coordinates the movement of power in 13 U.S. states and the Canadian province of Manitoba. http://www.midwestiso.org

[6] PJM is the PJM Interconnection, which is the RTO to which ComEd belongs. PJM coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia. Originally, it operated within Pennsylvania, New Jersey, and Maryland; hence the name, PJM. http://www.pjm.com/

[7] ComEd has been authorized by previous approved procurement plans to satisfy resource adequacy requirements through payments directly to PJM, derived through PJM's Reliability Pricing Model ("RPM").

Since electric competition was beneficial to larger commercial customers but little competitive activity occurred in the residential and smaller commercial customer classes, the Illinois General Assembly passed Public Act 94-1095 (the "Retail Electric Competition Act") in 2007 reiterating "its findings from the Electric Service Customer Choice and Rate Relief Law of 1997 that the Illinois Commerce Commission should promote the development of an effectively competitive retail electricity market that operates efficiently and benefits all consumers." Public Act 94-1095 created the Office of Retail Market Development to actively seek out ways to promote retail competition in Illinois to benefit all consumers. The Office of Retail Market Development has spent much of its time with the implementation of Public Act 95-0700 (which became effective November 2007) requiring Commonwealth Edison and the three Ameren Companies to provide utility consolidated billing and the purchase of RES receivables. The requirements of Public Act 95-0700 were designed to remove some barriers to competition for residential and small commercial customers in Illinois. On September 30, 2008, the three Ameren Companies filed tariffs to implement some of the requirements of Public Act 95-0700, and on August 19, 2009, the Commission issued an Order approving Ameren's utility consolidated billing and purchase of receivables program. Ameren implemented its program on October 17, 2009. On January 20, 2010, Commonwealth Edison filed tariffs to implement a combined purchase of receivables with consolidated billing program. On December 15, 2010, the Commission issued an Order approving ComEd's purchase of receivables with consolidated billing program. ComEd implemented its program on December 21, 2010.

In the Commission's Order on August 19, 2009 approving the Ameren Illinois Utilities' consolidated billing and purchase of receivables program, the Commission concluded that, "consumer education and protection are both very important to any program implementing customer choice, particularly for smaller customers." Staff was ordered to submit a proposed First Notice Rule of consumer protections and education measures by the end of 2009. Staff submitted to the Commission proposed obligations of retail electric suppliers which include additional consumer protections and education measures. On December 2, 2009, the Commission entered a First Notice Rule and initiated a Docket to provide interested parties further opportunities to comment on Staff's proposal. The parties are currently awaiting the ALJ's proposed order. Additional obligations of RESs included in the proposed rules include uniform disclosures, marketing requirements, a "Do Not Market List", training requirements for sales agents, a longer rescission period, record retention and availability requirements, notification of contract renewal and dispute resolution procedures.

DISCUSSION OF THE QUALITY, AVAILABILITY, AND PRICE OF UTILITY SERVICES BY GEOGRAPHIC AREA

ELECTRICITY

Six investor-owned public utilities provide electric service to retail customers in the State of Illinois: [8]

AmerenCILCO
AmerenCIPS
AmerenIP
Commonwealth Edison Company
MidAmerican Energy Company
Mt. Carmel Public Utility Company

Municipal systems and electric cooperatives also provide electric service in Illinois; these municipal systems and electric cooperatives are not subject to regulation by the Commission.[9]

A detailed presentation of the 2009 sales statistics presented below can be found in the Commission's "Comparison of Electric Sales Statistics for Calendar Years 2009 and 2008" at http://www.icc.illinois.gov/publicutility/salesstatistics.aspx.

Northern Illinois

Two public utilities provide electric service in northern Illinois: Commonwealth Edison Company, and MidAmerican Energy Company. Commonwealth Edison Company is the largest investor-owned electric utility in Illinois, serving 3,792,295 customers in the northern Illinois including the Chicago metropolitan area. MidAmerican Energy Company provides service to 84,746 customers in northwestern Illinois.

[8] On October 1, 2010, AmerenCILCO, AmerenCIPS, and AmerenIP merged into one operating company based in Peoria, called Ameren Illinois.

[9] Data concerning quality, availability, and price for these municipal electric systems and electric cooperatives are not reported to the Commission and are not included in this report.

For 2005 through 2009, these two utilities charged the following average prices, shown in cents per kWh, for bundled service and full requirements service customers:

	2005	2006	2007	2008	2009
Commonwealth Edison	7.80¢	7.74¢	10.30¢	11.06¢	10.91¢
MidAmerican Energy	6.22	6.17	6.07	6.06	6.07

Central Illinois and Southern Illinois

Four investor-owned public utilities provide electric service to central Illinois and southern Illinois: AmerenCILCO, AmerenCIPS, AmerenIP, and Mt. Carmel Public Utility Company. AmerenCILCO serves 211,485 customers in central Illinois. AmerenCIPS serves 383,115 customers across central and southern Illinois. AmerenIP serves 616,812 customers in central and southern Illinois. Mt. Carmel Public Utility Company serves 5,518 customers in southeastern Illinois.

For 2005 through 2009, these four utilities charged the following average prices, shown in cents per kWh, for bundled service and full requirements service customers:

	2005	2006	2007	2008	2009
AmerenCILCO	6.22¢	6.30¢	10.08¢	9.52¢	9.38¢
AmerenCIPS	5.86	5.78	9.17	9.91	9.69
AmerenIP	6.86	6.68	10.01	10.62	10.87
Mt. Carmel	7.70	7.75	9.29	12.36	12.82

Table 2-1

The bundled service price of electricity sold by the electric utilities varied between utilities and within utilities depending upon the class of customer served. Table 2-1 shows detailed price per kWh information for all six electric utilities under ICC Jurisdiction.

Table 2-1

Illinois Electric Utilities

Revenue in Cents per kWh for Bundled Service and Full Requirements Service by Class of Service and by Company

2009

Class of Service	Ameren CILCO	Ameren CIPS	Ameren IP	ComEd	Mid-American	Mt. Carmel
Residential Sales	9.96	9.93	11.14	11.71	8.20	13.25
Small (or Commercial) Sales	9.55	9.60	10.60	9.80	6.46	13.89
Large (or Industrial) Sales	1.91	5.79	4.13	6.04	3.98	11.69
Public Street & Highway Lighting	9.52	14.08	11.30	10.48	8.68	-
Other Sales To Public Authorities	(0.16)	9.32	10.20	7.15	5.08	9.82
Sales to Ultimate Customers	9.38	9.69	10.87	10.91	6.07	12.82

Electric Reliability

Pursuant to Section 16-125 of the Public Utilities Act and the Commission's electric reliability rules found in 83 Ill. Adm. Code 411, each of the six investor-owned public utilities files an annual electric reliability report summarizing the entity's reliability performance, actions to maintain or improve its reliability, and other electric system reliability issues specific to the utility. Each utility's annual electric reliability report can be found on the Commission's web site at http://www.icc.illinois.gov/electricity/electricreliability.aspx.

The following two tables show that the overall reliability of service improved for most customers served by the six Illinois electric utilities during 2009 compared to 2008. Fewer and generally less severe storms were major contributors to the improved overall service reliability in 2009. The utilities report two indices that can be used to compare system reliability: the system (all customers) average interruption duration index ("CAIDI") and the system average interruption frequency index ("SAIFI").

The following table presents the annual CAIDI for each utility for the years 2005 through 2009. CAIDI, expressed in minutes, provides the average duration of interruptions that customers experienced. CAIDI is calculated by dividing the annual sum of all customer interruption durations by the total number of customer interruptions.

			CAIDI		
	2005	2006	2007	2008	2009
AmerenCILCO	165	489	151	303	197
AmerenCIPS	112	754	146	222	462
AmerenIP	196	1,545	346	198	187
Commonwealth Edison	104	149	193	180	112
MidAmerican	72	87	291	880	106
Mt. Carmel	66	224	63	69	76

Four of the six Illinois utilities reported that the customer average interruption duration index decreased (a lower value indicates better reliability) in 2009 compared to 2008 with only AmerenCIPS and Mt. Carmel Public Utility Company worsening: the latter reporting the lowest CAIDI for 2009, despite the increase. The significant increase in CAIDI for AmerenCIPS was largely due to the May 8, 2009, derecho, which is the name given to a strong straight-lined wind storm, that devastated parts of southern Illinois and resulted in six counties being declared disaster areas.

The following table presents the annual SAIFI for each utility for the years 2005 through 2009. SAIFI provides the average number of electric service interruptions that customers experienced. SAIFI is calculated by dividing the total number of customer interruptions that occurred on the utility's system by the total number of customers that the utility served (as with CAIDI, a lower value means better reliability).

			SAIFI		
	2005	2006	2007	2008	2009
AmerenCILCO	1.23	1.61	1.16	1.75	1.37
AmerenCIPS	1.38	2.04	1.46	1.88	1.51
AmerenIP	1.38	2.53	1.38	1.41	.99
Commonwealth Edison	1.18	1.43	1.53	1.33	1.01
MidAmerican	1.77	1.89	3.95	4.17	2.51
Mt. Carmel	1.39	1.90	2.56	4.30	2.32

The above table illustrates that, generally, customers supplied by all six utilities experienced fewer interruptions in 2009 compared to 2008.

NATURAL GAS

Eleven (11) investor-owned gas public utilities currently provide natural gas service in the State of Illinois:

AmerenCILCO
AmerenCIPS
AmerenIP
Atmos Energy Corporation
Consumers Gas Company
Illinois Gas Company
MidAmerican Energy Company
Mt. Carmel Public Utility Company
Nicor Gas Company

North Shore Gas Company
Peoples Gas Light and Coke Company.

Municipal gas systems and gas cooperatives also provide natural gas service in Illinois; these municipal gas systems and gas cooperatives are subject to regulation by the Commission.[10]

During 2009, natural gas service was available without major interruption to all firm customers served by these 11 Illinois gas utilities. A considerable number of commercial and industrial customers chose to purchase gas directly from wholesale suppliers and use the local gas utility as a transporter. Residential customers served by Nicor Gas Company, North Shore Gas Company, Peoples Gas Light and Coke Company are allowed to purchase gas directly from wholesale suppliers. During 2010, sufficient supplies of natural gas are expected to be available to all customers.

A detailed presentation of the 2009 sales statistics presented below can be found in the Commission's "Comparison of Gas Sales Statistics for Calendar Years 2009 and 2008" at http://www.icc.illinois.gov/publicutility/salesstatistics.aspx?type=g.

Northern Illinois
Four public utilities distribute and sell natural gas in northern Illinois: MidAmerican Energy Company, Nicor Gas Company, North Shore Gas Company, and Peoples Gas Light and Coke Company.

Nicor Gas Company is the largest gas distribution company in the state and provides service to 2,172,724 customers in northern Illinois. Peoples Gas Light and Coke Company, which serves the City of Chicago, is the second largest gas utility in Illinois with 821,902 customers. North Shore Gas Company serves 158,001 gas customers in communities north of the Chicago area. Finally, MidAmerican Energy Company serves 65,542 customers in northwestern Illinois.

As with the price of electricity, the price of gas varies among utilities and is generally determined by the suppliers of natural gas that serve the local distribution company.

For 2005 through 2009, these four utilities charged the following average prices shown in cents per therm:

	2005	2006	2007	2008	2009
MidAmerican	112.78¢	102.90¢	101.18¢	107.78¢	76.94¢
Nicor Gas	101.38	89.72	88.40	101.23	68.26
North Shore	117.43	114.58	114.96	118.71	89.93
Peoples Gas	130.15	130.80	127.01	128.48	96.14

Central Illinois
Three public utilities distribute and sell natural gas in central Illinois: AmerenCILCO, AmerenCIPS, and AmerenIP. AmerenCILCO provides gas service to 213,677 customers in central Illinois including the cities of Peoria and Springfield. AmerenCIPS serves mostly rural areas in central and southern Illinois, providing service to 183,006 customers. AmerenIP provides gas service to 418,090 customers in various parts of the state, ranging from Galesburg in west-central Illinois to areas in southwestern Illinois including the East St. Louis metropolitan area.

For 2005 through 2009, these three utilities charged the following average prices shown in cents per therm

	2005	2006	2007	2008	2009
AmerenCILCO	112.22¢	114.85¢	112.72¢	117.37¢	93.45¢
AmerenCIPS	122.32	120.92	117.94	127.56	106.65
AmerenIP	112.01	120.76	111.02	125.02	105.11

Southern Illinois
Gas distribution and sale of natural gas is provided in southern Illinois by two large distribution companies discussed above, AmerenCIPS and AmerenIP, and the following four smaller distribution companies: Atmos Energy Corporation, Consumers Gas Company, Illinois Gas Company, and Mt. Carmel Public Utility Company. Atmos Energy Corporation provides service to 22,498 customers in a number of distinct service areas in southern Illinois. Illinois Gas Company serves 9,723 customers in the Lawrenceville-Olney area. Consumers Gas Company serves 5,540 customers in the Carmi area. Finally, Mt. Carmel Public Utility Company serves 3,574 customers in the Mt. Carmel area.

[10] Data concerning quality, availability, and price for these municipal gas systems and gas cooperatives are not reported to the Commission and are not included in this report.

For 2005 through 2009, these four utilities charged the following average prices shown in cents per therm

	2005	2005	2006	2007	2009
Atmos Energy	128.72¢	114.91¢	107.94¢	126.50¢	91.08¢
Consumers Gas	123.51	123.88	112.18	127.28	102.27
Illinois Gas	130.79	127.75	120.40	131.81	91.05
Mt. Carmel	128.77	136.86	129.02	139.36	131.74

Table 2-2

The price of gas sold by the gas utilities varied between utilities and within utilities depending upon the class of customer served. A major portion of the price per therm of gas is determined by the suppliers of natural gas that serve the local distribution company. Table 2-2 shows detailed 2009 price per therm information for all gas utilities under the Commission's jurisdiction.

Table 2-2
Illinois Gas Utilities
Revenue in Cents per Therm by Class of Service and by Company
2009

	Ameren CILCO	Ameren CIPS	Ameren IP	Atmos Energy	Consumers Gas	Illinois Gas
Residential Sales	100.67	112.89	110.77	98.48	102.45	101.53
Small (or Commercial) Sales	92.43	100.8	100.91	80.30	98.57	88.90
Large (or Industrial) Sales	58.19	60.53	62.11	71.77	131.45	72.05
Other Sales To Public Authorities	-	47.69	32.98	79.14	127.38	-
Total Sales To Ultimate Customers	93.45	106.65	105.11	91.08	102.27	91.05

	Mid-American	Mt. Carmel	Nicor Gas	North Shore Gas	Peoples Gas
Residential Sales	81.21	135.42	68.96	90.90	97.81
Small (or Commercial) Sales	71.57	123.31	66.47	86.21	88.85
Large (or Industrial) Sales	47.49	-	61.04	80.14	79.61
Other Sales To Public Authorities	-	-	-	-	-
Total Sales To Ultimate Customers	76.94	131.74	68.26	89.93	96.14

WATER AND SEWER UTILITIES

Overview

The Commission currently regulates 25 water, 3 sewer, and 12 combined water and sewer investor-owned utilities. While the number of investor-owned utilities is a small percentage of the 1,773 public water suppliers and 862 public sanitary sewage systems with treatment facilities in the state, these investor-owned utilities provide water service to approximately 923,000 people and sewer service to approximately 113,000 people. Investor-owned water utilities serve 7.6 percent of all persons in Illinois receiving water service from community public water supplies. These investor-owned water and sewer utilities serve customers in 35 counties and are primarily concentrated in the Chicago metropolitan area. The number of water and sewer customers served by each investor-owned utility ranges from 24 to 308,471. Only seven investor-owned water utilities serve more than 1,000 customers. See Table 2-3 for a comparison of bills for investor-owned water utilities providing service to 1,000 customers or more.

The Commission has continued its efforts to reduce the number of small utilities. Small utilities, due to their limited number of customers, typically have difficulties generating sufficient revenues to maintain the system and to hire employees with the necessary expertise to function efficiently as an investor-owned utility. The Commission has found that, in most cases, customers receive better service from larger utilities due to the economies of scale. The Commission has promoted acquisitions or mergers of small systems by larger municipal and investor-owned utilities to take advantage of these economies of scale. When acquisitions and mergers are not practical, the possibility exists of operating a small system as a mutual operation by a homeowners association. Mutual operations, which are exempt from Commission jurisdiction, often result in lower costs to customers for small systems. This type of activity was evident during 2010:

- In January, the Commission approved a joint petition allowing Aqua Illinois, Inc. to acquire the wastewater collection and treatment system of Ellwood Greens Utility Corporation, a small investor-owned sewer utility in DeKalb County (Docket No. 09-0335).
- In May, the Commission approved a joint petition allowing Aqua Illinois, Inc. to acquire the water production and distribution system of Northern Illinois Investment Group, Inc., a small investor-owned water utility in Lake County (Docket No. 09-0369).
- In June, the Commission issued a Certificate of Public Convenience and Necessity to Illinois-American Water Company, which acquired the water system of the Stever District Improvement Association, a small public water district in Peoria County (Docket No. 09-0451).
- In August, the Commission cancelled Certificates of Public Convenience and Necessity for County Line Water Company, a subsidiary of Utilities, Inc. and a small investor-owned water utility in Cook County (Docket No. 10-0342). The Village of Palatine purchased the water assets of County Line Water Company.
- The Water Department continued to work with the owners of Colonial Meadows Water Company, Eastwood Manor Water Company, Nunda Utility Company, Crystal Clear Water Company, and McHenry Shores Water Company, whom expressed a desire to sell these small, struggling investor-owned water utilities in McLean and McHenry Counties.

Regulatory Activities

The Commission issued Orders and approvals in the following rate cases:

- On March 16, 2010, issued an Order approving qualifying infrastructure plant surcharge riders in all of the districts of Illinois-American Water Company that did not previously have such riders (Docket No. 09-0251).
- On April 13, 2010, issued an Order approving water and sewer rates increase for all districts of Illinois-American Water Company (Docket No. 09-0319).
- On May 3, 2010, Del-Mar Water Company filed revised tariffs increasing water rates in compliance with Docket No. 02-0592.
- On September 9, 2010, issued an Order approving a water rates increase for Apple Canyon Utility Company and Lake Wildwood Utilities Corporation, two subsidiaries of Utilities, Inc. (Docket Nos. 09-0548/09-0549 consolidated).
- On September 22, 2010, approved revised tariffs increasing water rates for the Sheridan Grove Subdivision service area of Woodlawn Utilities Corporation through the Simplified Rate Case Procedures.
- On October 26, 2010, issued an Order approving a water rate increase for Whispering Hills Water Company, a subsidiary of Utilities, Inc. (Docket No. 10-0110).
- On December 2, 2010, issued an Order approving a water rate increase for the Kankakee Division of Aqua Illinois, Inc. (Docket No. 10-0194).

In addition to the above rate cases, in March 2010, Utilities, Inc. filed revised tariffs requesting a general increase in water and sewer rates for Galena Territory Utilities, Inc. and Northern Hills Water and Sewer Company (Docket Nos. 10-0280 and 10-0298).

Some investor-owned utilities continue to use purchased water and sewage treatment surcharges and qualifying infrastructure plant surcharges. Purchased water and sewage treatment surcharges allow utilities to pass their cost of purchasing water or sewage treatment directly to the end-use customers. Qualifying infrastructure plant surcharges allow utilities to recover the cost of replacement mains, services, meters, and hydrants until such time that those investments are placed into rate base through the rate setting process. Currently, Harbor Ridge Utilities, Inc., and Illinois-American Water Company have purchased sewage treatment surcharges; Charmar Water Company, Del-Mar Water Company, Illinois-American Water Company, and Aqua Illinois, Inc., have purchased water surcharges; and Aqua Illinois, Inc. and Illinois-American Water Company have qualifying infrastructure plant surcharges.

Discussion of Water and Sewer Utilities

Water supplies for investor-owned water utilities were generally adequate in 2010.

Many of the larger investor-owned water utilities serve municipalities adjacent to the state's major rivers; these utilities use the rivers as their source of water supply. River supplies are generally adequate. When treated, the river water meets the standards established by the Illinois EPA.

Most of the smaller investor-owned water utilities serve unincorporated residential developments, often a single subdivision, and are typically located in the northern half of the state. Wells serve as the source of water supply for most small systems. Well water quality varies considerably, and well water can contain undesirable minerals such as iron, manganese, and calcium; these minerals, while not injurious to health, do cause aesthetic problems. Aesthetic problems have caused several well systems located in the Chicago metropolitan area to obtain Lake Michigan water.

Bills for water service typically reflect a flat meter charge and a volumetric charge. Utilities that incorporate multiple volumetric charges use a declining block rate structure. Most of the large investor-owned water utilities also charge for providing fire protection service. The water rates vary considerably and depend on many factors, including the age of the water treatment plant and treatment process, the source of the water supply, and the need for infrastructure improvements. Overall, water bills for residential customers average $30 to $35 per month.

Of the 15 investor-owned utilities that provide sewer service, only three systems provide service to more than 1,000 customers. Due to the prohibitive cost of constructing new sewage treatment plants for a limited number of customers, the smallest sewer systems have, where possible, sought treatment from nearby regional plants. For example, sewer utilities located within the boundaries of the Metropolitan Water Reclamation District of Greater Chicago ("MWRD") discharge their wastewater to the MWRD for treatment. The investor-owned sewer utilities provide sewer service primarily to residential customers and serve a very limited number of commercial and industrial customers.

Bills for sewer service typically reflect flat rate charges or volumetric charges based on water usage, since metering of sewage flow is uneconomical and impractical for residential customers. The sewer rates vary considerably and depend on many factors, including the age of the sewage treatment plant and treatment criteria for the receiving stream. Overall, sewer bills for residential customers average $30 to $35 per month.

Table 2-3

Table 2-3 presents a comparison of monthly bills for residential customers of investor-owned water utilities providing service to 1,000 customers or more.

Table 2-3
Illinois Water Utility Rate Areas Serving 1,000 or More Customers
Comparison of Monthly Bills — Residential Customers with 5/8 Inch Meters
Based upon Rates in Effect on December 10, 2010

Area of State/ Utilities/ Service Areas	Total Number of Customers	Bill Comparison Based upon Water Usage 2,000 Gallons	7,000 Gallons	12,000 Gallons
NORTHERN				
Apple Canyon	2,653	$ 28.77	$ 55.97	$ 83.17
Aqua Illinois				
Candlewick	1,834	23.16	46.06	68.96
Kankakee	28,601	29.96	56.99	84.03
University Park	2,385	15.22	23.40	31.58
Willowbrook	1,025	22.12	43.67	60.40
Galena Territory	2,247	18.00	28.08	40.68
Illinois-American				
Chicago Metro				
Well Water	1,585	29.12	51.79	71.46
Lake Water				
Chicago Suburban	4,318	46.71	80.95	115.19
DuPage County	6,183	40.59	74.88	109.17
Fernway	2,010	34.20	69.31	104.50
Sante Fe/SW & W Suburban	29,767	38.84	85.83	132.82
South Beloit	2,758	24.81	48.69	72.58
Sterling	6,480	34.43	58.51	82.60
Streator	7,527	27.99	52.01	76.04
Lake Holiday	2,106	11.14	26.49	41.84
Lake Wildwood	1,414	29.92	51.42	72.92
Whispering Hills	2,322	20.48	39.86	59.23
CENTRAL				
Aqua Illinois				
Vermilion	20,742	31.65	61.91	92.18
Illinois-American				
Champaign	51,357	27.72	51.80	75.89
Lincoln	5,785	24.02	47.12	70.22
Pekin	14,024	24.45	37.81	51.16
Peoria	51,989	28.23	52.25	76.28
Pontiac	4,270	31.41	55.43	79.46
SOUTHERN				
Illinois-American				
Alton	17,749	27.15	51.17	75.20
Cairo	1,112	33.33	57.32	81.35
Interurban	68,644	27.21	51.23	75.26

FINANCIAL HEALTH OF THE UTILITY INDUSTRY IN ILLINOIS

Credit ratings are the single most comprehensive and widely accepted measure of the financial condition of a business enterprise. Several independent financial research firms provide rating services, which categorize corporate debt issues based on risk. All of the major electric and natural gas utilities serving Illinois have ratings assigned to their bond issues.

There is no formula for determining credit ratings. In assigning ratings to a firm's debt, rating agencies consider both qualitative and quantitative factors. For a public utility, rating agencies review financial information, which can be separated into six categories: debt leverage, construction and asset concentration risks, earnings protection, financial flexibility and capital attraction, cash flow adequacy, and accounting quality. Non-financial rating criteria include service territory characteristics, fuel supply and generating capacity, operating efficiency, regulatory treatment, and management.

Standard and Poor's defines its highest issuer credit ratings as follows:

> AAA
> An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.
>
> AA
> An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.
>
> A
> An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.
>
> BBB
> An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.
> (Source: Standard & Poor's, Ratings Direct on the Global Credit Portal, August 20, 2010, pp. 3-4)

The following table shows the average nationwide electric utility industry credit rating, as well as the ratings for the three major electric utilities serving the State of Illinois. The majority of the operations of MidAmerican Energy Company are in other states.

Standard and Poor's Electric Utility Credit Ratings
November 2006 through November 30, 2010

	2006	2007	2008	2009	2010
Electric Utility Industry Average	BBB	BBB	BBB	BBB	BBB
Ameren Illinois					BBB-
AmerenCILCO	BBB-	BB	BBB-	BBB-	
AmerenCIPS	BBB-	BB	BBB-	BBB-	
AmerenIP	BBB-	BB	BBB-	BBB-	
Commonwealth Edison	BBB-	BB	BBB-	BBB	BBB
MidAmerican	A-	A-	A-	A-	A-

In October 2010, AmerenCILCO, AmerenCIPS and AmerenIP were merged into Ameren Illinois.

Like the electric utilities, natural gas distribution companies receive ratings on their debt, which reflect the individual company's financial condition. The table below presents credit ratings for the three major natural gas distribution utilities serving the State of Illinois and the average credit rating for the nationwide natural gas distribution industry.

Standard and Poor's Gas Utility Credit Ratings

November 2006 through November 30, 2010

	2006	2007	2008	2009	2010
Gas Distribution Industry Average	A-	A-	A-	A-	BBB+
Atmos Energy		BBB	BBB	BBB+	BBB+
Nicor Gas	AA	AA	AA	AA	AA
North Shore	A-	A-	A-	BBB+	BBB+
Peoples Gas	A-	A-	A-	BBB+	BBB+

Currently, no Illinois water utilities have ratings assigned to their debt.

SECTION 3

A Discussion of Energy Planning

(3) A Specific Discussion of the Energy Planning Responsibilities and Activities of the Commission and Energy Utilities Including:

(a) The extent to which conservation, cogeneration, renewable energy technologies and improvements in energy efficiency are being utilized by energy consumers, the extent to which additional potential exists for the economical utilization of such supplies, and a description of existing and proposed programs and policies designed to promote and encourage such utilization;

(b) A Description of each Energy Plan filed with the Commission pursuant to the Provisions of this Act and a copy or detailed summary of the most recent energy plans adopted by the Commission."

INTEGRATED RESOURCE PLANNING

Section 8-402 of the Public Utilities Act, which set forth the Commission's resource planning responsibilities, was repealed by P.A. 90-561, effective December 16, 1997. The Commission disbanded the Energy Programs Division immediately thereafter.

COGENERATION

Commission Rule

The rules, for the transfer of electric power between independent generating facilities and regulated electric utilities in Illinois, are established by 83 Ill. Adm. Code 430. All utilities operating in Illinois must abide by these rules except for cooperatives and municipal utilities, both of which are not regulated by the Commission.

The most important portion of the rules is the requirement that a utility must purchase cogenerated power at a price commensurate with the utility's avoided cost. Table 3-1 lists the 2010 avoided costs as filed annually by Illinois electric utilities.

Special Rates

Cogeneration/self generation displacement and deferral rates can be in the form of special contracts or designed as tariffs. In each case, the Commission's position has been to promote economic cogeneration or self generation, while avoiding uneconomic bypass of a utility's system. When the cogeneration or self generation discount rate brings a customer's individual rate closer to the utility's marginal cost of providing service, uneconomic bypass is less likely to occur.

Table 3-1
Illinois Electric Utilities
Avoided Cost Rate Structure
2010

Electric Utility	Summer Rates	Winter Rates
AmerenCILCO		
On-Peak	4.548¢/kWh	3.868¢/kWh
Off-Peak	2.585¢/kWh	2.835¢/kWh
AmerenCIPS		
On-Peak	4.548¢/kWh	3.868¢/kWh
Off-Peak	2.585¢/kWh	2.835¢/kWh
AmerenCIPS—Metro East		
On-Peak	4.548¢/kWh	3.868¢/kWh
Off-Peak	2.585¢/kWh	2.835¢/kWh
AmerenIP		
On-Peak	4.548¢/kWh	3.868¢/kWh
Off-Peak	2.585¢/kWh	2.835¢/kWh
Commonwealth Edison		
On-Peak	4.007¢/kWh	3.728¢/kWh
Off-Peak	2.517¢/kWh	2.644¢/kWh
MidAmerican Energy		
On-Peak	2.300¢/kWh	1.452¢/kWh
Off-Peak	1.6290¢/kWh	1.068¢/kWh
Mt. Carmel Public Utility		
On-Peak	4.674¢/kWh	4.674¢/kWh
Off-Peak	4.674¢/kWh	4.674¢/kWh

Source: Annual filings of Illinois electric utilities pursuant to 83 Ill. Adm. Code 430.110.

Please note: Time differentiated rate pricing is shown at transmission or subtransmission levels where possible; additional credits are available at lower voltages, loads, and times (except for Mt. Carmel). See each utility filing for exact avoided energy costs under specific conditions

SECTION 4

Availability of Utility Services to All Persons

(4) A discussion of the extent to which utility services are available to all Illinois citizens including:
(a) Percentage and number of persons or households requiring each such service who are not receiving such service, and the reasons therefore, including specifically the number of such persons or households who are unable to afford such service.
(4-b) a critical analysis of existing programs designed to promote and preserve the availability and affordability of utility services.

The information necessary to determine the number of persons lacking utility service within the state is difficult to obtain. Part of the difficulty is that all utility companies within the state track accounts by residence and not by customer name. Thus, a utility could determine if a particular residence was disconnected and therefore no longer receiving service, but the utility would have no way of knowing whether that household regained service under another name in its own service territory or perhaps under the same name in a different service territory. In addition, persons disconnected might also move in with an acquaintance already receiving service or they might acquire service supplied by an electric co-operative or municipality over which we have no jurisdiction. Further, if the intent of the question is to ascertain the number of persons without access to a source of heat, the existence of non-utility sources such as wood stoves and kerosene heaters would further complicate the answer, thus the myriad of possibilities makes a truly accurate figure very elusive.

Although the Commission has limited resources available to determine the number of persons within the state lacking some type of utility service, and granting the uncertainty in accuracy of such a statistic, an estimate may be obtained by analyzing the disconnection and reconnection data provided to the Commission by all utilities.

To determine a rough estimate of the number of persons lacking utility service, one can look at the aggregate disconnection/reconnection figures for a 12-month period. The results for the period of December 2009 through November 2010 are as follows.

The average heat related residential class customer base equaled 7,847,367 households. In this class, 347,499 accounts were disconnected and 232,250 were reconnected. This yields a 66.8 percent reconnection rate leaving 115,249 accounts not reconnected. The disconnected accounts represent 4.43 percent of the average residential customer base, while those accounts not reconnected represent a rate of 1.47 percent.

The Commission is aware of its obligations to minimize the dangers arising from unnecessary termination of gas and/or electric space heating service during the winter months. To minimize these dangers and be responsive to the needs of both Illinois consumers and the utilities that serve those consumers, the Commission has developed rules and regulations concerning the termination and reconnection of space heating service during the winter months. Many of these rules have since been enacted into law. In addition, the Commission has continued to refine its other rules regarding utility credit and collection activities to help Illinois utility consumers make timely payments on their obligations to utility companies and thus avoid termination of utility service. The following discussion is a synopsis of current regulations designed to promote and preserve the availability and affordability of residential utility services.

Temperature-Based Termination

If gas or electric service is the only source of space heating or if electricity is used to control the only space heating equipment such as an electric blower fan on a gas furnace, these services may not be disconnected on any day when the National Weather Service forecasts that the temperature for the next 24 hours will be 32 degrees or below, or on a day before a holiday or weekend when the weather is forecasted to be 32 degrees or below any time before the next business day.

Disconnection of Military Personnel on Active Duty

Utilities are prohibited from disconnecting gas and electric service to military personnel on active duty for non-payment.

Disconnection of Certain Customers During the Winter Heating Season

Customers Receiving LIHEAP funds

During the winter heating season (December 1 through March 31) residential customers who receive Low Income Home Energy Assistance Program funds may not be disconnected if the services are used as the primary source of heating or to control or operate the primary source of heating.

Certain Electric Space-Heating Customers

During the winter heating season (December 1 through March 31) a public utility serving more than 100,000 electric customers may not be disconnect electric service to a residential space heating customer for non-payment.

Preferred Payment Date

Current residential customers who receive certain types of benefit checks out of cycle with their utility bills are allowed up to ten days subsequent to the customer's regular due date to make payment without penalty. This has benefited the low-income, elderly, and unemployed customers since they are able to avoid late payment charges and, in many cases, avoid paying a deposit to the utility.

Deferred Payment Agreement

This agreement allows a customer who owes the utility for a past due bill to maintain utility service by paying the past due amount in installments over a period of four to twelve months while continuing to pay current bills as they become due. Of the customers whose service was reconnected during the winter of 2009-2010 and who were given a payment plan, 18.8 percent were allowed six months or longer to pay the past due amount. Depending on the outstanding amount, the amount of the current bills, and the customer's income, this rule helps many customers, but it falls short of assisting those customers who simply have utility bills that are greater than their income can afford. Commission rules do allow for reinstatement after default and renegotiation of the payment agreement if the customer's financial circumstances change for the worse.

Reconnection

This rule provides that residential customers disconnected prior to the winter heating season and those customers disconnected during the winter heating season (December 1 through March 31) may be reconnected upon the payment of one third of the amount due to the company. If financial inability to pay this amount is shown, one-fifth of the amount owed may be paid. The customer then must enter into a payment plan to pay the balance of the outstanding amount owed to the utility. It should be noted that in many cases the amounts paid to have service restored are obtained through grants from community organizations or through the Low Income Home Energy Assistance Program (LIHEAP) administered by Department of Commerce and Economic Opportunity (and the Department of Healthcare and Family Services until March of 2009).

The reconnection rule further states that this provision is available between November 1 and April 1 of the current heating season; that reconnection under this provision cannot be used in two consecutive years; that the former customer must have paid at least one third of the amount billed subsequent to December 1 of the prior year; and that the program is not available if any evidence of tampering with the meter is discovered.

As required in the "winter reconnection" rule, on or about October 1, 2009, letters were sent to 74,370 former customers statewide who, according to utility records, were not then receiving heat related utility service. A total of 23,434 former customers requested that their service be reconnected. Of these, 8,918 customers were reconnected upon payment of the total bill and 11,066 were reconnected upon payment of a portion of the past due utility bill. Reconnection requests of 3,450 customers were denied. The reasons for denial are categorized as follows:

92 former customers failed to make a required down payment;
0 former customers failed to pay one-third of the amounts billed since December 1, 2008;

3,353 former customers had been reconnected under this rule last year; and
5 former customers resided where equipment tampering or diverted utility service was detected.

The above information indicates that 50,936 former customers did not respond to the inquiries posed by the utilities. It is impossible to determine whether these households are truly without utility service and, if so, why they do not have service.

Financial Assistance

ICC-regulated utilities participate in the Low Income Home Energy Assistance Program (LIHEAP) administered by the Department of Commerce and Economic Opportunity. LIHEAP provides a one-time grant to eligible low-income customers.

Public Act 96-0033 (SB 1918) added Section 8-105 to the PUA. Under this section gas and electric utilities including AmerenCILCO, AmerenCIPS, AmerenIP, ComED, North Shore Gas, Nicor Gas, and Peoples Gas offered bill payment assistance programs including a percentage of income payment plan to customers in need.

(4-c) an analysis of the financial impact on utilities and other ratepayers of the inability of some customers or potential customers to afford utility service, including the number of service disconnections and reconnections, and cost thereof and the dollar amount of uncollectible accounts recovered through rates.

The Financial Impact of Uncollectible Expenses

Uncollectible expense for utilities represents revenue billed but not received for services rendered. Efforts are made to recover such revenue, but, after a certain period of time and effort, unpaid amounts are charged as an expense and recovered in the regular rates charged to all customers.

Public Act 96-0033 (SB 1918), signed into law on July 10, 2009, added Sections 16-111.8 (concerning electric utilities) and 19-145 (concerning gas utilities) to the PUA. These sections provide that an electric or gas utility shall be permitted to recover through an automatic adjustment clause the incremental difference between its actual uncollectible amount and the uncollectible amount included in rates. These sections also provide for the collection of the difference between the actual 2008 and 2009 uncollectible expense set forth in Account 904 (of an electric utility's FERC Form 1 or of a gas utility's Form 21 ILCC) and the actual uncollectible amount included in rates for 2008 and 2009. AmerenCILCO, AmerenCIPS, AmerenIP, ComEd, Peoples Gas, North Shore Gas, and Nicor Gas have filed tariffs with the Commission to enact the uncollectibles automatic adjustment clauses.

The level of uncollectible expense is not perceived as a significant problem for the Commission-regulated water and sewer utilities. Therefore, no effort has been made to analyze in detail the explicit data for water and sewer utilities.

The uncollectible expenses discussed below for electric and gas utilities are based upon amounts reported to the Commission in each utility's annual report to the Commission. The amounts of uncollectible expenses reported by the utilities include accounting accruals for the uncollectible reserves to represent the projected level of anticipated uncollectible expenses for the year; these amounts differ from the actual write-offs of accounts receivable that occurred during the year.

Electric Utilities

Total 2009 Uncollectible Expense for Illinois electric utilities was $98,294,528 compared to $98,399,107 in 2008. These amounts represent 1.35 percent of total Revenue from Sales to Ultimate Customers[11] in 2009 and 1.26 percent of total Revenue from

[11] Electric Revenue from Sales to Ultimate Customers includes revenues resulting from residential sales, small (or commercial) sales, large (or industrial) sales, public street and highway lighting, other sales to public authorities, and sales to railroads. Electric utility revenues from sales for resale, interdepartmental sales, provisions for rate refunds, and other electric operating revenues are not included in Revenue from Sales to Ultimate Customers.

Sales to Ultimate Customers in 2008. ComEd had the largest amounts of Uncollectible Expense with $84,531,413 in 2009 and $70,572,397 in 2008; these amounts represented 1.62 percent of its 2009 Revenue from Sales to Ultimate Customers and 1.27 percent of its 2008 Revenue from Sales to Ultimate Customers. The Commission's "Comparison of Electric Sales Statistics for Calendar Years 2009 and 2008" provides a detailed presentation of Uncollectible Accounts and Forfeited Discounts on Table 27; this Comparison can be found on the Commission's web site at http://www.icc.illinois.gov/publicutility/salesstatistics.aspx?t=e.

Gas Utilities

Total 2009 Uncollectible Expense for Illinois gas utilities was $106,605,593 compared to $141,452,242 in 2008. These amounts represent 2.64 percent of total Revenue from Sales to Ultimate Customers[12] in 2009 and 2.38 percent of total Revenue from Sales to Ultimate Customers in 2008. Nicor Gas had the largest amounts of Uncollectible Expense with $53,167,000 in 2009 and $70,368,000 in 2008; these amounts represented 3.01 percent of its 2009 Revenue from Sales to Ultimate Customers and 2.53 percent of its 2008 Revenue from Sales to Ultimate Customers. The Commission's "Comparison of Gas Sales Statistics for Calendar Years 2009 and 2008" provides a detailed presentation of Uncollectible Accounts and Forfeited Discounts on Table 15; this Comparison can be found on the Commission's web site at http://www.icc.illinois.gov/publicutility/salesstatistics.aspx?t=g.

CONSUMER EDUCATION ACTIVITIES

Electric Customer Choice—"Plug In Illinois"

The Illinois Electric Service Customer Choice and Rate Relief Law of 1997 restructured the state's electric utility industry. Section 16-117 of the Public Utilities Act requires the Illinois Commerce Commission to maintain a consumer education program to provide residential and small commercial retail customers with information to help them understand their service options, rights, and responsibilities.

Details regarding the initial development and implementation of the program are included in the annual reports from 1998 through 2002.

The ICC Plug In Illinois website was updated in 2009 and contains an overview of customer choice, guidelines for choosing an electric supplier and a list of alternative suppliers certified by the Commission.

Natural Gas Choice

In some parts of Illinois, natural gas utilities voluntarily offer their residential and small retail commercial customers the opportunity to choose their supplier of natural gas. Alternative Gas Suppliers offering service to these customers must be certified by the ICC. In accordance with Section 19-125 of the Public Utilities Act, the Commission website includes consumer education information to help residential and small commercial customers understand their gas supply options and their rights and responsibilities. The educational information includes choices available, guidance for selecting an alternative gas supplier, comparisons of the prices and terms of products offered by alternative suppliers and procedures for consumers to address complaints.

[12] Gas Revenue from Sales to Ultimate Customers includes revenues resulting from residential sales, small (or commercial) sales, large (or industrial) sales, and other sales to public authorities. Gas revenues from sales for resale, interdepartmental sales, and other gas operating revenues are not included in Revenue from Sales to Ultimate Customers.

SECTION 5

Implementation of The Commission's Statutory Responsibilities

(5) A detailed description of the means by which the Commission is implementing its new statutory responsibilities under this Act, and the status of such implementation, including specifically:

(5-a) Commission reorganization resulting from the addition of an Executive Director and hearing examiner qualifications and review.

COMMISSION REORGANIZATION

During 2010, there were no organizational changes resulting from statutory responsibilities. Various changes made since the passage of the new Public Utilities Act have been reported in previous Commission annual reports.

(5-b) Commission responsibilities for construction and rate supervision, including construction cost audits, management audits, excess capacity adjustment, phase-ins of new plant and the means and capability for monitoring and reevaluating existing or future construction projects.

CONSTRUCTION AUDITS

Statutory Requirements

Section 8-407(b) and 9-213 of the 1986 Public Utilities Act grants the Commission the authority to conduct construction audits. Pursuant to Section 8-407(b), the Commission, after granting a certificate of public convenience and necessity for the construction of a new electric generating facility, is granted the authority to perform construction cost audits at any time during construction whenever the Commission has cause to believe that such an audit is necessary or beneficial to the efficiency or economy of construction.

Section 9-213 requires the Commission to perform an audit of the cost of new electric utility generating plants and significant additions to electric utility generating plants to determine if the cost is reasonable prior to including such construction costs in rate base.

Section 8-407 (b) and 9-213 both grant the Commission the authority to engage independent consultants to perform these audits. If an independent consultant performs a construction audit, the cost will be borne initially by the utility, but shall be recoverable as an expense through normal ratemaking procedures.

Commission Responsibilities

In order to comply with the Public Utilities Act, the Commission must monitor the major construction activities of all electric utilities within the state to assure that such construction is efficient and economical. The Commission is also required (Sec. 8-407(a)) to reevaluate the propriety and necessity at least every two years of each certificate of necessity issued for the construction of a new electric generating facility. In order to comply with the above responsibilities, the Commission has the authority to conduct construction cost audits.

Section 8-407 (b) Activities

No activities were required during 2010.

Section 9-213 Activities

No activities were required during 2010.

MANAGEMENT AUDITS

Statutory Requirements

The Commission has authority under Section 8-102 of the Public Utilities Act to conduct management audits of public utilities. The Commission may choose to conduct the audits with its own staff or it may contract with independent consultants to perform the management audits. Prior to initiating an audit of a utility, the Commission must determine that reasonable grounds exist to believe an audit is necessary or cost-beneficial.

The statute allows for the costs associated with the use of independent consultants to be borne by the utilities with recovery provided through the normal ratemaking process.

Commission Responsibilities

Prior to initiating a management audit or investigation of a utility, the Commission must have "reasonable grounds to believe that such audit or investigation is necessary to assure that the utility is providing adequate, efficient, reliable, safe, and least-cost service and charging only just and reasonable rates therefore, or that such audit or investigation is likely to be cost beneficial in enhancing the quality of such service or the reasonableness of rates therefore." The Commission shall "issue an order describing the grounds for such audit or investigation and the appropriate scope and nature of such audit or investigation."

On May 5, 2010, the Commission entered an Amendatory Order in Docket No. 09-0319, a proceeding involving Illinois-American Water Company's ("IAWC") proposed general increase in water and sewer rates, in which the Commission ordered that a management audit ("Audit") be performed to compare the cost of each service obtained from the Service Company to the costs of such services had the services been obtained through competitive bidding on the open market. The matter has been docketed as Docket No. 10-0366. A request for proposal ("RFP") was issued September 17, 2010 but no qualified bids were received. The RFP was reissued November 19, 2010 for bids to be received December 23, 2010.

EXCESS CAPACITY, USED, AND USEFUL

Section 9-215 of the Public Utilities Act gives the Commission the "power to consider, on a case by case basis, the status of a utility's capacity and to determine whether or not such utility's capacity is in excess of that reasonably necessary to provide adequate and reliable electric service". The Commission is also authorized to make adjustments to rates if a finding of excess capacity is made. This section conditions this authority for generating units whose construction programs started prior to the effective date of the current Act, January 1, 1986. That is, for generating units whose construction started prior to the effective date of the current Act, the Act requires that a determination of excess capacity or utility plant used and useful will be made from that which is appropriate under prior law.

No activities were required during 2010.

RATE MODERATION PLAN

The Public Utilities Act authorizes the Commission to consider the adoption of a rate moderation plan that would lessen rate impacts associated with new power plants coming into service. During 2010, no new power plants were placed in service in Illinois that fall under the Commission's jurisdiction. As a result, the Commission did not use its authority to adopt a rate moderation plan.

COST-BASED RATES

The Public Utilities Act considers cost-based rates an important component of equity for ratepayers. Specifically, the Act states that the cost of supplying public utility services should be allocated to those who cause the costs to be incurred [Section 1-102(d)(iii)]. The need to base rates on costs has increased as the utility environment becomes more competitive. A close relationship between rates and costs will discourage uneconomic bypass of the utility system by ratepayers. Uneconomic bypass is costly to the utility, ratepayers, and society as a whole.

The Commission made consistent progress towards the establishment of cost-based rates in utility rate cases conducted over the years 2001-2010. However, new cost-based rates that became effective on January 2, 2007, for ComEd and Ameren impacted residential customers, especially residential electric space heat customers, to such an extent that the Commission opened two proceedings for the purpose of adopting redesigned rates that were not based solely on cost but were rather based on a more even distribution of percentage increases for each of the customer classes, so that the burden to the residential electric space heat customers was significantly lessened.

A total of 25 gas rate cases and 13 electric rate cases were filed during this period. Additionally, with the passage of the Electric Service Customer Choice and Rate Relief Law of 1997, nine electric utilities filed cases for delivery services implementation and for residential delivery services implementation and eight electric utilities filed cases for metering services unbundling. The gas cases were filed by MidAmerican Energy Company ("MEC"), Central Illinois Light Company ("AmerenCILCO"), Northern Illinois Gas Company ("Nicor Gas"), Peoples Gas Light and Coke Co. (Peoples Gas"), North Shore Gas Company ("North Shore"), Mt. Carmel Public Utility Co. ("Mt. Carmel"), Illinois Gas Company ("IGC"), Central Illinois Public Service Company ("AmerenCIPS"), Union Electric Company ("AmerenUE"), South Beloit Water Gas and Electric Company ("SBWGE"), Consumers Gas Company, and Illinois Power Company ("AmerenIP"). The electric rate cases were filed by Mt. Carmel, ComEd, AmerenCILCO, AmerenCIPS, and AmerenIP. The electric delivery service cases were filed by ComEd, AmerenIP, AmerenCIPS, AmerenUE, Mt. Carmel, MEC, AmerenCILCO, SBWGE, and Interstate Power and Light Company ("IPC"). Additionally, except for Mt. Carmel, the same electric companies filed for unbundling of delivery services.

All nine electric utilities were mandated by the Public Utilities Act to provide rates for residential customers based on real-time pricing.

The Public Utilities Act also required that AmerenCIPS and AmerenUE compare their bundled residential rates to the average rate of a group of Midwest utilities. If the Midwest average was lower than the rate of each of these Illinois utilities, the Illinois utility was required to reduce its residential rates on October 1, 2002. Neither utility was required to reduce its residential rates. The Public Utilities Act also required that ComEd reduce its bundled residential rates by 5 percent on October 1, 2001. The Act also mandated that Illinois Power reduce its bundled residential rates by 5 percent on May 1, 2002, and that CILCO reduce its bundled residential rates by 1 percent on October 1, 2002. All rate reductions mandated by the Public Utilities Act have been implemented.

Commission Actions to More Fully Implement Cost-Based Rates: Gas
In the Consumers Gas case (Docket No. 00-0618), which was filed in September 2000, the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. An order was entered in June 2001.

In the MidAmerican case (Docket No. 01-0696), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. An order was entered and an Order was approved in September 2002.

In the AmerenCILCO case (Docket No. 02-0837), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in October 2003.

In the AmerenCIPS and AmerenUE cases (Docket Nos. 03-0008 and 03-0009), the Companies performed cost of service studies and based the proposed rates on cost of service. Commission Staff reviewed those studies and presented testimony. The Commission entered an Order in October 2003.

In the South Beloit Water Gas and Electric Company case (Docket No. 03-0676), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in October 2004.

In the Illinois Gas Company case (Docket No. 04-0475), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in May 2005.

In the AmerenIP gas case (Docket No. 04-0476), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in May 2005.

In the Consumers Gas Company case (Docket No. 04-0609), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in June 2005.

In the Nicor Gas Company case (Docket No. 04-0779), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in September 2005.

In the Peoples Gas Company and North Shore Gas Company rate cases (Docket Nos. 07-0241 & 07-0242), the Companies performed cost of service studies and based proposed rates on cost of service. Commission Staff reviewed the studies and presented testimony. The Commission entered an Order in February 2008.

In the Mt. Carmel Public Utility Co. gas rate case (Docket No. 07-0357), the Company performed cost of service studies and based proposed rates on cost of service. Commission Staff reviewed the study and presented testimony. The Commission entered an Order in March 2008.

In the Ameren Illinois gas rate cases for each of its three Illinois Utilities (Docket Nos. 07-0588, 07-0589, & 07-0590), the Companies performed cost of service studies, but based their proposed rates on an across-the-board equal percentage change. Commission Staff reviewed the studies and the proposed across-the-board changes and presented testimony. The Commission entered an Order in September 2008.

In the Nicor Gas Company gas rate case (Docket No. 08-0363), the Company performed cost of service studies and based proposed rates on cost of service. Commission Staff reviewed the studies and presented testimony. The Commission entered an Order in March 2009.

In the Illinois Gas Company gas rate case (Docket No. 08-0482), the Company performed cost of service studies and based proposed rates on cost of service. Commission Staff reviewed the studies and presented testimony. The Commission entered an Order in May 2009.

In February 2009, Peoples Gas Company and North Shore Gas Company filed rate cases (Docket Nos. 09-0166 and 09-0167). These proposed tariffs were suspended by the Commission. The Commission entered an Order in January 2010.

In June 2009, AmerenCILCO, AmerenCIPS & AmerenIP filed gas rate cases (Docket Nos. 09-0309, 09-0310 & 09-0311). These proposed tariffs were suspended by the Commission. The Commission entered an Order in May 2010.

In June 2009, MidAmerican Energy Company filed a gas rate case (Docket No. 09-0312). These proposed tariffs were suspended by the Commission. The Commission entered an Order in March 2010.

In March 2010, Consumers Gas Company filed a gas rate case (Docket No. 10-0276). These proposed tariffs were suspended by the Commission. An Order for these proceedings was approved in October 2010.

Commission Actions to More Fully Implement Cost-Based Rates: Electricity

The initial delivery services tariff cases to establish non-residential rates for delivery services involved all nine electric utilities:

AmerenCIPS and AmerenUE (Docket No. 99-0121)
MidAmerican Energy Company (Docket Nos. 99-0122 & 99-0130)
CILCO (Docket Nos. 99-0119 and 99-0131, Consolidated)
ComEd (Docket No. 99-0117)
IP (Docket Nos. 99-0120, 99-0134, and 99-0140, Consolidated)
IPC and SBWGE (Docket Nos. 99-0124, 99-0125, 99-0132, and 00-0133, Consolidated)
Mt. Carmel (Docket No. 99-0116)

Each delivery service proceeding consisted of reviewing a test year revenue requirement, which included transmission, distribution, and generation components, and of separating these components out for cost of service purposes. The generation component will be market based, while the transmission component will be regulated by FERC. The goal of delivery services is to have cost-based delivery service rates, which represent the distribution portion of the electric system. The Commission approved cost-based rates for each utility. Approval of cost-based rates helps facilitate the next stage of deregulation, which is unbundling. Competition for unbundled services will largely depend on cost-based delivery service rates.

In the unbundling case (Docket No. 99-0013), all utilities, except Mt. Carmel, filed tariffs for the unbundling of metering services. Staff reviewed those filings, and the Commission Order was issued on October 4, 2000, and became effective on January 1, 2001. Cost-based rates for unbundled delivery services will be a prime factor in initiating competition in Illinois.

In 1997, all electric utilities were mandated by the Public Utilities Act to provide rates for residential customers based on real-time pricing. The appropriate filings were made and the rates became effective on October 1, 2000.

The Public Utilities Act also required that AmerenCIPS and AmerenUE compare their bundled residential rates to the average rate of a group of Midwest utilities. If the Midwest average was lower than the rate of each of these Illinois utilities, the Illinois utility was required to reduce its residential rates on October 1, 2000. The comparison indicated that AmerenCIPS and AmerenUE were not required to reduce their bundled residential rates on that date.

As required by the Public Utilities Act, CILCO reduced its bundled residential rates by 2 percent on October 1, 2000.

The Public Utilities Act also required that ComEd reduce its bundled residential rates by 5 percent on October 1, 2001.

The Act also mandated that Illinois Power reduce its bundled residential rates by 5 percent on May 1, 2002.

Delivery services tariffs for all residential customers became effective on May 1, 2002. As part of their plans for delivery services, AmerenCIPS and AmerenUE filed new residential delivery services tariffs and filed updated non-residential delivery services tariffs in December 2000. The other seven utilities filed their proposed rates in 2001. All of the proceedings, except ComEd's, were completed to establish delivery services rates for their residential classes, as well as new non-residential delivery services rates. Commonwealth Edison's proceeding was completed in 2003.

In early 2005, ComEd and Ameren filed tariffs to establish a rate structure for the supply of electricity to bundled residential and non-residential customers to be effective on January 2, 2007. Commission Orders for those proceedings were approved in January 2006.

In August 2005, ComEd filed a rate case (Docket No. 05-0597) for delivery services tariffs to be effective at the end of the mandatory transition period, which ends on January 2, 2007. These new rates take the place of the existing bundled service rates. An Order was approved in July 2006 and became effective on January 2, 2007.

In February 2006, Ameren filed a rate case for each of its three Illinois utilities (Docket Nos. 06-0070, 06-0071, & 06-0072) for delivery services tariffs to be effective at the end of the mandatory transition period, which ended on January 2, 2007. These new rates take the place of the existing bundled service rates. An Order for these proceedings was approved in November 2006 and became effective on January 2, 2007.

In May 2007, Mt. Carmel filed a general rate case (Docket No. 07-0357) for its delivery services tariffs. These proposed tariffs were suspended by the Commission. An Order for this proceeding was approved in March 2008 and tariffs became effective on March 24, 2008.

In October 2007, ComEd filed a delivery services rate case (Docket No. 07-0566) for delivery services tariffs. These proposed tariffs were suspended by the Commission. An Order for this proceeding was approved in September 2008 and tariffs became effective on September 16, 2008.

In November 2007, Ameren Illinois filed an electric delivery services rate case for each of its three Illinois Utilities (Docket Nos. 07-0585, 07-0586, & 07-0587). These proposed tariffs were suspended by the Commission. An Order for these proceedings was approved in September 2008 and tariffs became effective on October 1, 2008.

In June 2009, Ameren Illinois Utilities filed an electric delivery services rate case for each of its three Illinois utilities (Docket Nos. 09-0306, 09-0307 and 09-0308). These proposed tariffs were suspended by the Commission. An Order for these proceedings was approved in May 2010.

In June 2010, ComEd filed a delivery services rate case (Docket No. 10-0467) for delivery services tariffs. These proposed tariffs were suspended by the Commission. An Order for this proceeding will be approved no later than May 2011.

MERGERS

On June 4, 2009, Frontier Communications Corporation ("Frontier"), Verizon Communications, Inc., Verizon North Inc, Verizon South Inc, and New Communications of the Carolinas, Inc., filed for approval of transactions and agreements which result in Frontier acquiring by merger the local exchange operations of Verizon North and Verizon South. This matter was docketed as Docket No. 09-0268. On April 21, 2010, the Commission issued its Order in the above-referenced docket approving the proposed transaction and included a number of conditions. The merger was effective July 1, 2010.

On July 24, 2009, Aqua filed for approval for the reorganization and permanent transfer of the Ellwood Green Utility Corporation's existing wastewater system. This matter was docketed as Docket No. 09-0335. The Commission approved the transaction in its order entered on January 6, 2010. The reorganization became effective April 15, 2010.

On August 14, 2009, Aqua filed for approval to transfer the existing water production and distribution system known as Northern Investment Group. This matter was docketed as Docket No. 09-0369. The Commission approved the transaction in its order entered May 5, 2010. The order was corrected in an amended order on May 25, 2010. The transaction became effective June 22, 2010.

On February 19, 2010, FairPoint Communications, Inc. ("FairPoint"), C-R Telephone Company d/b/a FairPoint Communications / C-R Telephone Company, The El Paso Telephone Company d/b/a FairPoint Communications/The El Paso Telephone Company, and Odin Telephone Exchange, Inc., d/b/a FairPoint Communications/Odin Telephone Exchange, Inc. filed with the Commission a verified Joint Application for approval of transactions and agreements that result in a change of ownership of more than 50 percent of the voting capital stock of FairPoint. The transaction involved reorganization in bankruptcy that resulted in a reduction of indebtedness of $1.7 billion and the distribution of newly issued stock replacing FairPoint's current equity holders with certain debt holders. The matter was docketed as Docket No. 10-0215. The Commission approved the transaction in its order entered May 25, 2010 with certain conditions.

On October 8, 2010, Peoples Gas and North Shore Gas Company filed a petition requesting Commission approval of a 7-204 reorganization under which Peoples Energy Corporation, the parent company of North Shore and Peoples Gas and currently an Illinois corporation, converts to a Delaware limited liability company. The matter is docketed as Docket No. 10-0588. The Staff of the Commission filed a response November 30, 2010 and an evidentiary hearing is scheduled for December 15, 2010.

On March 15, 2010, the Ameren Illinois Utilities (CILCO, CIPS, and IP) each filed with the Commission a separate Notice of Merger and Reorganization expressing intent to reorganize by merging into a single public utility under Sections 16-111(g) and 16-111(l) of the Act. In general, the three utilities would reorganize into a single surviving entity, AmerenCIPS, that would be a wholly-owned subsidiary of Ameren Corporation and that would provide electric and gas public utility service within all of the present service areas subject to Commission jurisdiction. The merger and reorganization became effective October 1, 2010. The surviving entity was renamed Ameren Illinois Company.

ASSET TRANSFERS OR SALES

On March 2, 2009, AmerenCILCO filed for approval of the Company's assignment to Ameren Energy Marketing Company of its interest in a service agreement between Caterpillar, Inc., and Central Illinois Light Company dated December 29, 1999, as amended on February 15, 2001, and a related agreement, a Tolling Agreement, entered into between AmerenCILCO and AmerenEnergy Medina Valley Cogen, LLC, dated December 22, 2000. The matter was docketed as Docket No. 09-0131. An evidentiary hearing was held June 8, 2010 and a Draft Order was submitted December 1, 2010.

On March 15, 2010, AmerenCIPS filed a Notice of Transfer of Assets expressing its intent to transfer its ownership of 100 percent of the common stock of Ameren Energy Resources Generating Company to Ameren Corporation. This transfer occurred October 1, 2010.

On January 8, 2010, Illinois Power Company d/b/a AmerenIP filed for approval of a Territorial Service Agreement with a Municipality for the Purchase and Sale of Claude Bailey's Subdivision in Princeton, Illinois pursuant to Section 11-117-6(d) of the Illinois Municipal Code. The matter was docketed as Docket No. 10-0030. The Commission entered an order approving the transaction May 5, 2010.

On May 26, 2010, AmerenIP filed for approval of a Territorial Service Agreement with a Municipality for the Purchase and Sale of Certain Property in Freeburg, Illinois pursuant to Section 11-117-6(d) of the Illinois Municipal Code. The matter was docketed as Docket No. 10-0357. The Commission entered an order approving the transaction July 14, 2010.

INFORMATIONAL FILINGS

During 2010, the following notices were filed with the Commission.

On December 22, 2008, AmerenCILCO filed a Notice of Transfer notifying the Commission, under Section 16-111(g), of its intent to transfer and assign its interest in the Service Agreement between it and Caterpillar, Inc. Staff informed AmerenCILCO that the applicable sections of the Public Utilities Act were Section 7-101, Transactions with affiliated interests, and/or Section 7-102, Transactions requiring Commission approval. Accordingly, issues surrounding the contract assignments related to this transaction are being addressed in Docket Nos. 08-0865 and 09-0131. An evidentiary hearing was held June 8, 2010 and a Draft Order was submitted December 1, 2010.

On November 5, 2009, ComEd filed a Notice that it had entered into an agreement, subject to regulatory approval, to assign certain credits against amounts owed for transmission services, in accordance with Section 16-111(g). Specifically, ComEd intends to sell to Ameren Services Company ("AMS"), for and on behalf of the Ameren entities, up to $20 million of ComEd's rights to the Paragraph 4.8 Credits received by ComEd when ComEd exited the Midwest ISO ("MISO"), as documented in terms of the Settlement Agreement between Exelon and other parties on March 20, 2001, and approved by FERC. According to terms of the proposed agreement, ComEd could sell, and Ameren could purchase, up to $20 million of the credits from ComEd for 75 cents on the dollar. On November 3, 2009, ComEd filed a Rate Schedule pursuant to Section 205 of the Federal Power Act ("FPA") to effectuate the assignment of these Section 4.8 credits to AMS. Contemporaneous with the Section 205 Application, ComEd submitted a Petition for Declaratory Order requesting in the alternative, if the Section 205 Application is rejected, that the Commission direct MISO to recognize the assignment. These filings at the FERC have been docketed as Docket Nos. EL10-12-000 and ER10-209-000. On November 30, 2010, ComEd and Ameren made a joint filing for a Summary Disposition.

On March 15, 2010, the Ameren Illinois Utilities (CILCO, CIPS, and IP) each filed with the Commission a separate Notice of Merger and Reorganization expressing intent to reorganize by merging into a single public utility under Sections 16-111(g) and 16-111(l) of the Act. In general, the three utilities would reorganize into a single surviving entity, AmerenCIPS, that would be a wholly-owned subsidiary of Ameren Corporation and that would provide electric and gas public utility service within all of the present service areas subject to Commission jurisdiction. The merger and reorganization became effective October 1, 2010. The surviving entity was renamed Ameren Illinois Company.

DECOMMISSIONING

During 2010, no Illinois electric utility billed its customers any charges for decommissioning. The last billing of decommissioning charges by any Illinois electric utility ceased on December 31, 2006.

(5-c) Promulgation and application of rules concerning ex parte communications, circulation of recommended orders and transcription of closed meetings.

The Commission's rules concerning ex parte communications (83 Ill. Adm. Code 200.710) and the circulation of recommended orders (83 Ill. Adm. Code 200.820) remained in effect in 2010 and were applied throughout the year. Closed meetings were transcribed verbatim as required by Section 10-102 of the Public Utilities Act.

SECTION 6

Appeals from Commission Orders

(6) A description of all appeals taken from Commission orders, findings or decisions and the status and outcome of such appeals.

This section includes only appeals either filed in 2010 or upon which a judicial decision was received in 2010. Excluded are appeals involving motor carriers, rail carriers, or other regulated transportation and all non-appeal judicial actions, such as enforcement and collection actions, employment suits, or federal administrative and judicial actions, in which the Commission may have participated as plaintiff, defendant, intervenor, or *amicus*. However, federal cases taken under 47 USC 252(e)(6) are included.

APPEALS INVOLVING PUBLIC UTILITIES FILED IN 2010

A. Under the Public Utilities Act, 220 ILCS 5

1. *Air Products & Chemical Company, et al., v. Illinois Commerce Commission, et al.,*
   Illinois Appellate Court No. 5-10-0338,
   Ill.C.C. Docket Nos. 09-0306, 09-0307, 09-0308, 09-0309, 09-0310 & 09-0311 (cons.).
   Appeal from grant or denial of general increase of electric and natural gas delivery rates for Ameren Illinois Co. d/b/a Ameren Illinois (successor to AmerenCIPS, AmerenCILCO and AmerenIP).
   Status: Appeal dismissed as premature on the Court's own motion.

2. *Ameren Illinois Co. d/b/a Ameren Illinois, et al., v. Illinois Commerce Commission, et al.,*
   Illinois Appellate Court Nos. 4-10-0962 and 4-10-0976,
   Ill.C.C. Docket Nos. 09-0306, 09-0307, 09-0308, 09-0309, 09-0310 & 09-0311 (cons.).
   Appeal from grant or denial of general increase of electric and natural gas delivery rates for Ameren Illinois Co. d/b/a Ameren Illinois (successor to AmerenCIPS, AmerenCILCO and AmerenIP).
   Status: Additional appeals may be filed, and the appeal record is being prepared.

3. *Apple Canyon Lake Property Owner's Association, et al., v. Illinois Commerce Commission, et al.,*
   Illinois Appellate Court Nos. 3-10-0832 and 3-10-0898 (cons.),
   Ill.C.C. Docket Nos. 09-0548 & 09-0549 (cons.).
   Appeal from grant or denial of general increase of water rates for Apple Canyon Utility Company and Lake Wildwood Utilities Corporation.
   Status: Apple Canyon Utility Company and Lake Wildwood Utilities Corporation have filed a cross-appeal. Consolidation of the two appeals and the cross-appeal and the setting of a combined briefing schedule are pending.

4. *Illinois Bell Telephone Co., et al., v. Illinois Commerce Commission, et al.,*
   Illinois Appellate Court Docket Nos. 3-10-0054, 3-10-0066, and 3-10-1038 (cons.),
   Ill.C.C. Docket No. 08-0569.
   Appeals from investigation of specified tariffs declaring certain services to be competitive in six Illinois LATAs pursuant to Section 13-502 of the Public Utilities Act, 220 ILCS 5/13-502.
   Status: Appeals have been dismissed on agreed motion.

5. *Clinton A. Krislov v. Illinois Commerce Commission, et al.,*
   Illinois Appellate Court Docket No. 1-10-0546,
   Ill.C.C. Docket No. 09-0384
   Appeal from rulemaking (amendment of 83 Ill. Adm. Code 735).

Status: On December 30, 2010, the Illinois Appellate Court affirmed the Commission. See Item II. B. 3. below.

6. *People of the State of Illinois v. Illinois Commerce Commission, et al.,*
Illinois Appellate Court Docket No. 2-10-0024,
Ill.C.C. Docket No. 09-0263.
Appeal from the grant of an Advanced Metering Infrastructure Pilot Program and associated tariffs of *Commonwealth Edison Co.*
Status: Appeal has been stayed pending the outcome of *Commonwealth Edison Co, et al., v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Docket Nos. 2-08-0859, 2-08-1037, 2-08-1137, 1-08-3008, 1-08-3030, 1-08-3054 and 1-08-3313 (cons.). See Item II. B. 1. below.

7. *People of the State of Illinois, et al., v. Illinois Commerce Commission, et al.,*
Illinois Appellate Court Nos. 1-10-0654, 1-10-0655, 1-10-0936, 1-10-1790, 1-10-1846, and 1-10-1852 (cons.),
Ill.C.C. Docket Nos. 09-0166 & 09-0167(cons.).
Appeal from grant or denial of general increase of natural gas rates for North Shore Gas Co. and Peoples Gas Light & Coke Co.
Status: Appeal is pending briefing.

8. *People of the State of Illinois v. Illinois Commerce Commission, et al.,*
Illinois Appellate Court No. 1-10-1776,
Ill.C.C. Docket No. 09-0319.
Appeal from the grant or denial of general increase in water and sewer rates for Illinois-American Water Co.
Status: Illinois-American Water Co. filed a cross-appeal. Appeal and cross-appeal are being briefed.

B. Under Other Utility-Related Acts

None

II. APPEALS AND OTHER JUDICIAL REVIEW PROCEEDINGS INVOLVING PUBLIC UTILITIES OR TELECOMMUNICATIONS CARRIERS DECIDED IN 2010

A. Cases dismissed without decision on the merits and with no further action expected

1. Under the Public Utilities Act, 220 ILCS 5

a. *Air Products & Chemical Company, et al., v. Illinois Commerce Commission, et al.,*
Illinois Appellate Court No. 5-10-0338,
Ill.C.C. Docket Nos. 09-0306, 09-0307, 09-0308, 09-0309, 09-0310 & 09-0311 (cons.).
Appeal from grant or denial of general increase of electric and natural gas delivery rates for Ameren Illinois Co. d/b/a Ameren Illinois (successor to AmerenCIPS, AmerenCILCO and AmerenIP).
Appeal dismissed as premature on the Court's own motion on August 23, 2010.

b. *People of the State of Illinois, et al., v. Illinois Commerce Commission, et al.,*
Illinois Appellate Court Docket Nos. 1-10-0962 (formerly 4-06-1063 and 1-06-3014, related to Supreme Court Docket Nos.104393 and 105131) and 1-10-0963 (cons.) (formerly 4-06-1064 and 1-06-3126, related to Supreme Court Docket Nos. 104361 and 105151),
Ill.C.C. Docket No. 06-0027.

Appeals from investigation of specified tariffs declaring certain services to be competitive pursuant to Section 13-502 of the Public Utilities Act, 220 ILCS 5/13-502.

Procedural background: Illinois Bell Telephone Co. had filed the first appeals from this Commission decision in the Illinois Appellate Court for the Fourth District ("Fourth District") (Docket Nos. 4-06-0882 and 4-06-0911). The appeals from the Illinois Appellate Court for the First District, *People of the State of Illinois and City of Chicago v. Illinois Commerce Commission, et al.,* Docket Nos. 1-06-3014 and 1-06-3126 respectively, were transferred and renumbered as 4-06-1063 and 4-06-1106. In 2007, the Fourth District had dismissed all four pending appeals from Ill.C.C. Docket No. 06-0027 without consolidating all of the appeals.

In 2008, the Illinois Supreme Court had reversed the dismissal of the People's and the City of Chicago's appeals and had remanded the appeals (separately) for further consideration of the Fourth District. The Supreme Court's Opinion was published as *People ex rel. Madigan v. Illinois Commerce Commission*, 231 Ill. 2d 370 (2008). In 2009, the Fourth District entered its Opinion pursuant to the remand of the Illinois Supreme Court which is published as *People ex rel. Madigan v. Illinois Commerce Commission,* 394 Ill. App. 3d 382 (4th Dist., 2009). The Fourth District found that the appeals from Ill.C.C. Docket No. 06-0027 could be brought in the Fourth District under Section 10-201 of the Public Utilities Act, 220 ILCS 5/10-201. However, because those two first appeals had been dismissed and no appeal of those dismissals had been taken, the first appeal still pending is the People's appeal which had been originally filed in the First District. Therefore, the Fourth District remanded the two pending appeals back to the First District for further proceedings.

After transfer back to the First District, renumbering and consolidating as Docket Nos. 1-10-0962 and 1-10-0963 (cons.), the appeals were voluntarily dismissed on Joint Motion of the parties on July 27, 2010, because of the passage of P.A. 96-0927.

c. *Illinois Bell Telephone Co., et al., v. Illinois Commerce Commission, et al.,*
Illinois Appellate Court Docket No. 3-10-0054, 3-10-0066, and 3-10-1038 (cons.),
Ill.C.C. Docket No. 08-0569.
Appeals from investigation of specified tariffs declaring certain services to be competitive in six Illinois LATAs pursuant to Section 13-502 of the Public Utilities Act, 220 ILCS 5/13-502.
On July 27, 2010, the appeals were dismissed on agreed motion because of the passage of P.A. 96-0927.

2. Under Other Utility-Related Acts

None

B. Cases under the Public Utilities Act, 220 ILCS 5 in which decisions were rendered either by Opinion of the Court or by an Order issued under Supreme Court Rule 23. (A Rule 23 Order decides a case on its merits, but has limited effect as precedent on other cases.)

1. *Commonwealth Edison Co, et al., v. Illinois Commerce Commission, et al*.,
Supreme Court Docket Nos. 111548 and 111642,
Illinois Appellate Court Docket Nos. 2-08-0859, 2-08-1037, 2-08-1137, 1-08-3008, 1-08-3030, 1-08-3054 and 1-08-3313 (cons.), related to Supreme Court Docket Nos. 107693 and 107694,
Ill.C.C. Docket No. 07-0566.

Appeal from grant or denial of electric rate changes for Commonwealth Edison Co. under Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201.

On September 30, 2010, the Illinois Appellate Court affirmed in part and reversed in part the underlying Commission rate order.

Commonwealth Edison Company ("ComEd") challenged the denial of the full salary and wages of certain employees. [Other issues of ComEd were not pursued by ComEd as moot in view of the September 17, 2009, Opinion of the Illinois Appellate Court for the Second District which had affirmed that earlier Commission order. The decision can be found as *Commonwealth Edison Co., et al. v. Illinois Commerce Commission, et al.,* 398 Ill. App. 3d 510 (2nd Dist., 2009).] The Commission had found that these employees had worked on both recoverable utility matters and nonrecoverable holding company matters in the test year. To account for this, the Commission denied recovery of one-quarter of the labor costs of these employees. The Appellate Court sustained the Commission's reduction against ComEd's challenges of insufficient findings and lack of support by substantial evidence.

The Illinois Industrial Energy Consumers ("IIEC"), the People of the State of Illinois ("the People") and the Citizens Utility Board ("CUB") had sought that additional accumulated depreciation be added to the rate base because ComEd had been granted certain *pro forma* adjustments to that rate base. The *pro forma* adjustments allowed known and measurable additional plant investment reasonably certain to occur within 12 months of the effective date of the new tariffs. IIEC and the others argued that additional accumulated depreciation, that is to say, the depreciation of the rest of ComEd's test year rate base, should be included to the last date of the recognized *pro forma* adjustment. The Appellate Court held that the addition of such accumulated depreciation is required by Section 9-211 of the Public Utilities Act, 220 ILCS 5/9-211. The Court also held that the failure to include the 21 months of additional accumulated depreciation violated test-year principles and that the Commission is not bound to its prior inconsistent decisions. Finally, ComEd as a counter argument noted that it voluntarily withdrew its third-quarter plant additions as *pro forma* capital adjustments and claimed that it would be unfair to reverse the Commission on the additional accumulated depreciation issue without allowing ComEd to seek these other *pro forma* capital adjustments. The Court agreed with ComEd and remanded ComEd's issue without opinion as to whether these additional *pro forma* adjustments should be included.

The People and CUB also challenged the establishment of Rider SMP, which sought to recover the costs of a "system modernization project" in order to provide "smart grid" technology. As approved, the smart grid technology is approved in a few suburbs and neighborhoods of Chicago to determine the public benefit of such technology. The People and CUB argued that Rider SMP violated single-issue ratemaking, retroactive ratemaking, and test-year principles, and was not shown to be necessary. The Appellate Court held that Rider SMP was not supported by substantial evidence and violated single-issue ratemaking because the expenses of the "smart grid" program should be recovered through normal rate-making procedures. The Appellate Court developed a test that will allow riders only if (1) the cost is imposed upon the utility by external circumstances over which the utility has no control and (2) the cost does not affect the utility's revenue requirement.

The Building Owners and Managers Association of Chicago ("BOMA") had challenged the elimination of Rider 25 in an earlier appeal but the Commission was sustained. *Commonwealth Edison Co., et al. v. Illinois Commerce Commission, et al*., 398 Ill. App. 3d 510 (2nd Dist., 2009). In this cause BOMA sought to reestablish Rider 25 or, at least,
to establish different rate classes for nonresidential customers, based upon high (assumed electric space-heating) and low (not space-heating) electric usage. The Court rejected BOMA's various claims that (1) there was insufficient evidence to support the Commission's rejection of Rider 25; (2) it was discriminatory not to create different rate classes for high (space-heating) and low nonresidential customers; (3) the nonresidential electric rates are not cost-justified; and (4) the nonresidential space-heating customers improperly subsidize nonresidential low-usage customers.

The parties have until December 21, 2010, to seek Supreme Court review. ComEd has filed for a 35-day extension of time to file its Petition for Leave to Appeal to the Illinois Supreme Court. The Commission filed its Petition for Leave to Appeal on December 21.

2. *Frances Kreutzer, et al., v. Illinois Commerce Commission, et al.,*
Illinois Appellate Court Docket No. 2-09-0007,
Ill.C.C. Docket No. 07-0310.

Appeal from the grant or denial of certificate of public convenience and necessity under Section 8-406 of the Public Utilities Act, 220 ILCS 5/8-406, and the direction to construct, operate, and maintain a new transmission line in Kane and McHenry Counties, Illinois, including, when necessary, the taking of property by eminent domain under Sections 8-503 and 8-509 of the Public Utilities Act, 220 ILCS 5/8-503 and 8-509.

On September 16, 2010, the Illinois Appellate Court reversed the underlying Commission decision. Before the Commission, certain contentions had been raised at the last minute that the electric transmission line would be blocked by a designated historical farmhouse. In its reply to exceptions to the proposed order, Commonwealth Edison Company suggested a change to the legal description for the location of the transmission line to meet these contentions. The Commission's final order adopted the changed legal description. The Illinois Appellate Court held that the altered legal description did not adequately describe the land to be taken and was not supported by evidence in the record. Cause remanded back to the Commission for further proceedings.

3. *Clinton A. Krislov v. Illinois Commerce Commission, et al.,*
Illinois Appellate Court Docket No. 1-10-0546,
Ill.C.C. Docket No. 09-0384.

Appeal from rulemaking (amendment of 83 Ill. Adm. Code 735).

On December 30, 2010, in a Rule 23 Order, the Illinois Appellate Court for the First District affirmed the Commission in an appeal from Docket No. 09-0384, which involved the amendment of 83 Ill. Adm. Code 735, PROCEDURES GOVERNING THE ESTABLISHMENT OF CREDIT, BILLING, DEPOSITS, TERMINATION OF SERVICE AND ISSUANCE OF TELEPHONE DIRECTORIES FOR LOCAL EXCHANGE TELECOMMUNICATIONS CARRIERS IN THE STATE OF Illinois. The proceeding had amended two sections of the Rule, 83 Ill. Adm. Code 735.130 and 735.160.

Mr. Krislov challenged the amendment of Section 735.160. Mr. Krislov had failed to timely file his adverse comments during the First Notice period under the Administrative Procedures Act, 5 ILCS 100/5-40(b). He had also failed to follow the public notice of the informal workshops which had be held starting in 2008.

The Appellate Court found that the Commission had complied with the rulemaking requirements of the Administrative Procedures Act, 5 ILCS 100/5-40. On the various Krislov claims of inappropriate behavior by the Commission, the Court found there was no support for the claims. The Court specifically rejected the claim that the denial of Mr. Krislov's application for rehearing indicated that the Commission had an unalterably closed mind during this rulemaking.

Mr. Krislov can seek rehearing before the Appellate Court until January 20, 2011. Currently Mr. Krislov has until February 3, 2011, to seek review by the Illinois Supreme Court.

4. *Malibu Condominium Assn. v. Illinois Commerce Commission and Commonwealth Edison Co.,*
Illinois Appellate Court Docket No. 1-09-2155,
Ill.C.C. Docket No. 08-0401.

Appeal from Commission Interim Order dismissing a portion of a consumer complaint under Section 10-108 of the Public Utilities Act, 220 ILCS 5/10-108.

On July 22, 2010, after the completion of briefing, the Illinois Appellate Court issued a Rule 23 Order. The Court dismissed the appeal for lack of jurisdiction because the Commission order for which review was sought was not a final order.

5. *People of the State of Illinois, et al. v. Illinois Commerce Commission, et al.,*
Illinois Appellate Court Docket Nos. 1-08-2055, 1-08-2056, 1-08-2189, 1-08-2304, 1-08-2451 (formerly 2-08-0364), 1-08-2452 (formerly 2-08-0713) and 1-08-2453 (formerly 2-08- 0390) (cons.), Ill.C.C. Docket Nos. 07-0241 and 07-0242 (cons.).
related to Supreme Court Docket No. 107234

Appeal from grant or denial of natural gas rate changes for North Shore Gas Co. and Peoples Gas Light & Coke Co. under Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201.

In the above series of appeals, North Shore Gas Co. and Peoples Gas Light & Coke Co. ("the Utilities"), Abbott Laboratories Inc.("Abbott Labs"), and the People of Illinois filed appeals in the Second District of the Illinois Appellate Court during the pendency of rehearing. After the issuance of the Order on Rehearing on July 30, 2008, the People of Illinois filed its second appeal in the First District, beating the Utilities' second appeal to the Second District by about an hour and half. The Second District subsequently issued an order on its own motion, stating that it had determined that the First District has jurisdiction over the appeals and sending all pending appeals (4 at the time, with 1 appeal filed subsequently) to the First District. The Commission's attempt to get a Supervisory Order from the Illinois Supreme Court, sending the appeals to the Second District, failed. Abbot Labs later voluntarily dismissed its ultimate three appeals, including the one filed during rehearing.

The parties had filed briefs in the First District on the merits of the appeals, and oral argument was held June 24, 2010. On December 17, 2010, the First District issued a twenty-six page Opinion, holding that the Second District had obtained exclusive jurisdiction through the first appeals (the ones filed during rehearing) and ordering that the appeals be transferred for further proceedings to the Second District. This is not a final order on the merits and so further proceedings in the Appellate Court are expected.

6. *Pliura Intervenors, et al., v. Illinois Commerce Commission, et al.,*
Supreme Court Docket Nos. 111448 and 111505
Illinois Appellate Court Docket Nos. 4-09-0702 & 4-09-0718 (cons.),
Ill.C.C. Docket No. 07-0446.

Appeal from the grant or denial of certificate to operate as a common carrier by pipeline under Section 15-401 of the Public Utilities Act, 220 ILCS 5/15-401, and authorizing the construction of a new petroleum pipeline from Livingston to Marion Counties, Illinois, including, when necessary, the taking of property by eminent domain under Sections 8-503 and 8-509 of the Public Utilities Act, 220 ILCS 5/8-503 and 8-509.

On October 25, 2010, in a Rule 23 Order, the Illinois Appellate Court affirmed the underlying Commission decision which had approved the constructing and operating of a common carrier pipeline for Enbridge Pipelines (Illinois) L.L.C. On December 14, 2010, pursuant to the Commission's motion, the Appellate Court refiled its Rule 23 Order as a published Opinion. The Appellants had challenged the financial fitness of the pipeline company and the public need for the pipeline. The Appellate Court affirmed the Commission's determination of fitness, agreeing that the commitment by Enbridge's holding company to fund this pipeline was sufficient for purposes of Section 15-401(b) of the Public Utilities Act, 220 ILCS 5/15-401(b). The Court also affirmed the Commission's determination of public need for this pipeline, rejecting the appellants' claim that public need under Section 15-401 of the Public Utilities Act, *supra*, should be interpreted narrowly.

The Appellants have sought review by the Illinois Supreme Court.

C. Other Utility-Related Judicial Review Proceedings in which decisions were rendered either by Opinion of the Court or by an Order issued under Supreme Court Rule 23. (A Rule 23 Order decides a case on its merits, but has limited effect as precedent on other cases.)

Complaints for declaratory and other relief challenging an arbitration decision of the Commission under 47 USC 252.

Global NAPs of Illinois, Inc. v. Illinois Commerce Commission and Illinois Bell Telephone Co.,
US District Court for Northern Illinois, Eastern Division, Docket No. 09 C 3113
Ill.C.C. Docket No. 08-0105

Complaint for declaratory and other relief under 47 USC §252(e)(6), challenging a decision of the Commission finding Global NAPs of Illinois, Inc., in violation of its interconnection agreement with Illinois Bell Telephone Co., pursuant to Section 252(e) of the Federal Telecommunications Act of 1996, 47 U.S.C. §252(e), and Sections 4-101, 10-101, and 10-108 of the Illinois Public Utilities Act, 220 ILCS 5/4-101, 10-101, and 10-108. On February 18, 2010, the District Court granted dismissal of certain claims of Global NAPs' complaint as time-barred.

On October 21, 2010, the District Court granted the ICC's and Illinois Bell's motions for summary judgment in their entirety, denied summary judgment to Global NAPs, and entered judgment. Specifically, the Court affirmed the Commission's ruling that Global NAPs was obligated under the parties' interconnection agreement to pay Illinois Bell for DS3 facilities used to connect its network to Illinois Bell's network. The Court also affirmed the Commission's ruling that Global NAPs was required to pay Illinois Bell's intrastate access, transiting, and reciprocal compensation charges for transit and termination services that Illinois Bell had provided to Global NAPs under their interconnection agreement. Finally, the Court rebuffed Global NAPs' claim that the Commission violated federal law and due process when the Commission declined to reopen the record to allow Global NAPs to present additional evidence after the Commission issued its final order.

SECTION 7

Studies and Investigations Required by State Statutes

(7) A description of the status of all studies and investigations required by this Act, including those ordered pursuant to Sections 4-305, 8-304, 9-242, 9-244, and 13-301 and all such subsequently ordered studies or investigations.

Section 4-305: Emission Allowance Reports

Section 4-305 of the Public Utilities Act reads as follows:

> Sec. 4-305. Emission allowances. Beginning with the first quarter of 1993, the Commission shall collect from each public utility and each affiliated interest of a public utility owning an electric generating station information relating to the acquisition or sale of emission allowances as defined in Title IV of the federal Clean Air Act Amendments of 1990 (P.L. 101-549), as amended. The information collected shall include the number of emission allowances allocated to each utility, by statute or otherwise, and the number of emission allowances acquired or sold by each utility. The Commission shall establish quarterly requirements for reporting the information specified under this Section. Beginning with the annual report due January 31, 1994, the Commission shall include the information collected under this Section in the annual report required under this Act.

Appendix B presents information that the Commission has collected under Section 4-305 of the Public Utilities Act since the last Annual Report. Appendix B contains fourth quarter 2009 reports and third quarter 2010 reports. The third quarter 2010 reports present a running total of all allowance allocations and transactions during the first three quarters of 2010.

Section 8-304: Estimated Billing Practices

This section states that the Illinois Commerce Commission shall perform a comprehensive study of estimated billing practices and policies of the major regulated public utilities providing natural gas and/or electric services. The study required by this section was conducted in 1987.

For purposes of that study, the Commission selected the following major regulated public utilities then providing natural gas and/or electric services to Illinois households: Central Illinois Light Company, Central Illinois Public Service Company, Commonwealth Edison Company, Illinois Power Company, MidAmerican Energy Company, Northern Illinois Gas Company, Peoples Gas Light & Coke Company, and Union Electric Company. These eight utilities comprised over 95 percent of the regulated utility service sales to residential customers in Illinois. For the study, the companies provided such information as a three year history of the total number of estimated bills broken down by customer class, time of year, geographic location, customer group, and frequency of consecutively estimated bills; the reasons for estimated billing; the costs of relocating and reading meters; the methods or formulas used for establishing the amounts of estimated bills; and the programs or instruments used to minimize the frequency of estimated bills. An analysis of the data received was conducted by Commission staff.

Section 8-403: Cogeneration/Small Power Production

Section 8-403 states that the Commission shall conduct a study to encourage the full and economical utilization of cogeneration and small power production. In addition to the independent power generation aspect of the study, the Commission is also required to examine the wheeling of electricity between governmental agencies. This study was completed in 1987. No activities were required in 2010, and no further activities are anticipated in the future.

Section 8-405.1: Feasibility of Wheeling in Illinois

Section 8-405.1 directs the Commission, in cooperation with the Illinois Department of Energy and Natural Resources, to investigate the major economic and legal issues surrounding the wheeling of electricity in Illinois and to report the results of its investigation to the General Assembly. In December 1987, the Commission submitted the report *Electric Wheeling in Illinois* to the General Assembly. No activities were required in 2010, and no further activities are anticipated in the future.

Section 9-202: Temporary Rate Increase

On October 1, 1987, 83 Ill. Adm. Code 330 became effective. Among other things, 83 Ill. Adm. Code 330 put forth the necessary conditions for a temporary rate increase pursuant to Section 9-202(b) and provided for refunds with interest if the temporary rate increase granted exceeded the permanent rate increase granted.

Section 9-214: Study of CWIP

The study was completed and sent to the General Assembly on December 29, 1988. Please see the Commission's 1992 annual report, page 56, for details.

Section 9-216: Rulemaking for Cancellation Costs

The regulated utilities currently have no generation or production plant under construction and have not made any requests for authority to construct new generation or production plant. Given that there is no due date for either the initiation or completion of this rulemaking, the Commission will initiate rulemaking as soon as practical, given the Commission's current workload and resources.

Section 9-223: Evaluation of the Fire Protection Charge

Section 9-223(b) directs the Commission to evaluate the purpose and use of each fire protection charge imposed under Section 9-223. Section 9-223(b) was added to the Public Utilities Act as part of Public Act 94-0950 with an effective date of June 27, 2006. The Commission submitted a report containing its findings to the General Assembly prior to the last day of the 2008 veto session.

Economic Development Program

A summary of the Commission's economic development program and its activities since its inception may be found in the 1996 and previous Commission annual reports.

The Commission coordinates its economic development activities with other state agencies, including the Department of Commerce and Economic Opportunity. Commission staff members represent the agency on interagency task forces that relate to the Commission's economic development activities. Individual economic development project proposals are reviewed in conjunction with appropriate staff from utilities, state and local government, and private businesses. Staff comments on tariff and/or rate filings by utilities and testimony in rate case proceedings serve to further articulate Commission policies in the area of economic development.

As the implementation of customer choice continues, the Commission will assess its impact on economic development through an ongoing evaluation of rulemakings and decisions in the following areas: requirements for alternative electric suppliers, consumer-education materials, delivery services tariffs, distributed resources, and real-time pricing.

Peoples Gas Pipeline Safety Program Investigation

During January 2004, Commission Pipeline Safety inspectors determined that Peoples Gas Light And Coke Company's ("Peoples Gas") records of corrosion control test point readings indicated that Peoples Gas had failed to properly inspect corrosion test points on its gas distribution system in compliance with required schedules. In response to a January 2004 notification from Commission Staff of its deficiencies respecting corrosion test point monitoring and its obligations to promptly remedy such deficiencies, Peoples Gas responded that it would bring its scheduled test point monitoring into compliance and would promptly remedy past deficiencies in that monitoring.

When Commission Staff Pipeline Safety inspectors returned in early 2005 to re-examine the Peoples Gas corrosion monitoring records, records indicated that additional failures to monitor corrosion test points in compliance with mandatory inspection schedules had occurred during the intervening year and that certain deficiencies noted in early 2004 still persisted. Peoples Gas was notified in early 2005 of its noncompliance with pipeline safety requirements and its failure to promptly remedy past deficiencies. Again, Peoples Gas responded to the notification of noncompliance with a commitment to bring itself into compliance.

In early 2006, Commission Pipeline Safety inspectors returned to Peoples Gas to determine whether or not the deficiencies had been rectified. While the Peoples Gas pipeline safety records indicated that compliance had been achieved, field examinations of actual corrosion test point readings indicated a number of incidents of noncompliance.

Following the completion of the 2006 record examination, Staff recommended to the Commission that a citation proceeding be initiated against Peoples Gas. In April 2006, the Commission ordered Peoples Gas to show cause why it should not be found to have failed to comply with Pipeline Safety program requirements. Litigation in that case has been completed, and the Commission found that Peoples Gas had failed to comply with Pipeline Safety requirements.

On April 17, 2007, the Commission contracted The Liberty Consulting Group ("Liberty") to: (1) determine the degree to which the Peoples Gas pipeline safety program conforms to standards established in 49 CFR Part 192 and the Illinois Gas Pipeline Safety Act; (2) prepare a report to the Commission that details its findings including recommendations regarding the actions Peoples Gas must take, if any, to bring its Pipeline Safety Program into compliance with federal and state requirements and industry best practices; (3) subsequently monitor on a quarterly basis for two years Peoples Gas' efforts to implement recommendations to bring the Peoples Gas pipeline safety program into compliance with federal requirements and industry best practices; and (4) prepare interim and final reports to the Commission regarding the results of its monitoring activities.

During the period from May 2007 through July 2008, Liberty acquired information from Peoples, interviewed employees, observed field activities, conducted inspections, and took corrosion control readings.

In August 2008, Liberty provided the Commission with its Report on the investigation including 66 recommendations for improvement. The Report states: "Liberty found many areas in which Peoples Gas has considerable room for improvement. Common threads for the deficiencies were that (1) safety-related programs such as leak management and excavation damage prevention did not have someone who had overall ownership and responsibility, (2) there was insufficient staffing in some areas such that Peoples Gas was not performing important activities like field supervision, (3) training for many of the safety-related programs was not sufficient, and (4) Peoples Gas did not monitor and measure its own performance and identify areas needing improvement."

Liberty subsequently began the verification-monitoring phase as specified in the contract where Liberty reports, on a quarterly basis for two years, the progress that Peoples has made in implementing or addressing the 66 recommendations in Liberty's investigation report. Liberty will provide the final eighth quarterly report to the Commission in the near future.

Liberty provided the seventh of these quarterly reports on September 27, 2010. In the seventh report roughly covering December 2008 through August 2010, Liberty's verification work is completed for 54 of the 66 recommendations from the final investigation report. In this report Liberty highlights seven recommendations that they suggest ICC Staff continue verification work or monitor activities. Among Liberty's many observations in the seventh report, Staff believes the result of one recommendation was worth noting. Recommendation 111-17: reduce the year end leak backlog. In reviewing results over the past two years Liberty observed:
"…an inadequate number of field repair crews, supervision, and miles of cast/ductile iron replaced for the past two years have adversely affected Peoples Gas' ability to reduce its leak backlogs at year-end…The challenge remaining for Peoples Gas beyond the time period of Liberty's verification audit is its ability to maintain an adequate number of experienced qualified field personnel to accomplish all its safety code mandated requirements, reduce its leak backlog, and support its system enhancement program. The issue of adequate resources to work leaks will be aggravated when Peoples Gas ramps up its replacement efforts to almost 7-fold from 15 miles to over 100 miles of cast and ductile iron replacements during 2011 and years following. During the past two years, it appears that Peoples Gas has not eliminated sufficient of its aging cast/ductile iron mains and has not hired additional personnel at all levels including promoting and or hiring and training additional General Supervisors to address its workload. Peoples Gas may not have accounted for the time and resources it takes to hire, train and qualify personnel to perform code mandated gas O&M activities."

The public versions of Liberty's final investigation report and subsequent quarterly reports are available for downloading and viewing from the Commission's web site at http://www.icc.illinois.gov/naturalgas/ in the natural gas investigations section.

Investigation of Ameren's Illinois Utilities' Storm Outage

On July 19 and 21, 2006, windstorms struck the service areas of all three Ameren utilities in Illinois resulting in a loss of service to more than 300,000 electric customers in Illinois. Restoring service to AmerenCILCO, AmerenCIPS, and AmerenIP customers took over a week. On November 30, 2006, an ice storm struck central Illinois interrupting electric service to more than 200,000 Ameren Illinois customers. The Ameren utilities took about nine days to restore service to all their Illinois customers. The Commission had previously adopted assessments of Ameren's Illinois utilities' electric service reliability that contained criticism of Ameren utility tree trimming, other distribution line maintenance issues, and the placement of lightning arrestors and tap fuses. These assessments had suggested that the condition of Ameren electricity delivery facilities could contribute to the effects of storms on service to Ameren's customers.

Recognizing the above facts, the Commission began an investigation of Ameren's service restoration response to learn if it was adequate and appropriate and to investigate the condition of Ameren's electricity delivery facilities to learn if it contributed to the large numbers of service interruptions during the storms. On August 29, 2007, the Commission signed a contract with The Liberty Consulting Group ("Liberty") to perform the Ameren investigation. Liberty began working under the contract immediately and delivered its investigation report one year later on August 15, 2008. Liberty's investigation report includes 157 recommendations for improving service reliability and shortening service restoration times after major storms. Liberty's report is available on the Commission's web site at http://www.icc.illinois.gov/electricity/electricreliability.aspx; the file is labeled, "Liberty's Ameren Outage Investigation Report."

Since the conclusion of the investigation, Liberty has been examining Ameren's efforts to implement the recommendations from the investigation report. This verification work will conclude on or before September 30, 2011. Liberty's report on its fourth quarter verification work is dated December 18, 2009, and is available on the Commission's web site and is labeled "Liberty's Ameren Outage Investigation Report: 4th Quarter Verification."

Analysis of Initial Clean Coal Facility's Cost Report

The State of Illinois enacted Public Act 95-1027, the Clean Coal Portfolio Standard Law. This new law added Subsection 1-75(d)(4) to the Illinois Power Agency Act [20 ILCS 3855] and required the Commission to submit a report to the General Assembly setting forth its analysis of a facility cost report filed by the initial clean coal facility in Illinois. By law, the Commission was required to provide its analytical report to the General Assembly within six months after the initial clean coal facility filed its facility cost report.

The initial clean coal facility in Illinois is Tenaska's planned Taylorville Energy Center (TEC). The Taylorville Energy Center's Facility Cost Report is dated February 26, 2010, and is available on the Commission website at http://www.icc.illinois.gov/electricity/tenaska.aspx. The Commission delivered its Analysis of the Taylorville Energy Center Cost Report to the Illinois General Assembly on September 1, 2010. The Commission's report is also available on the Commission's web site at the same address as the facility cost report.

The Commission listed its key findings in the front of the executive summary of its report.

With respect to the topics over which the General Assembly specifically requested feedback, the commission finds the following:

- The cost associated with electricity generated by the TEC is substantially higher than that which is associated with other types of general facilities – as described more fully herein, the TEC's expected base case electricity cost of $212.73 per MWh (or over 21 centers per kWh) would cost significantly more than wind ($88.80 to $121.97), nuclear ($101.45 to $128.03), traditional coal ($141.08 to $153.03) or combined cycle combustion turbine ($154.05 to $160.78) facilities.
- The rate impacts on residential and small business customers will likely approach or meet the full 2.015 percent rate impact cap – should the rate impact cap be met, because there is no concurrent rate impact cap for alternative retail electric suppliers (ARES), additional project costs and cost overruns would be disproportionately borne by ARES and their largely commercial and industrial customer base. This scenario would make ARES less cost-competitive and could have a significant adverse impact on the retail competition model adopted by the General Assembly in 1997.
- The likelihood that the plan could be commercially operable by 2016 is uncertain – missing elements and details from Tenaska's construction schedule cause the Commission to question the company's proposed timeline, and the start of construction is contingent on whether and when the Illinois General Assembly passes authorizing legislation. If the start of the construction is delayed beyond August 2011, the TEC might not commence commercial operation before 2016.

After careful review of the Facility Cost Report, the Commission concludes that the TEC facility features high costs to ratepayers with uncertain future benefits, and uncertainties that potentially add to already-significant costs.

SECTION 8

Impacts of Federal Activity on State Utility Service

(8) A discussion of new or potential developments in federal legislation, and federal agency and judicial decisions relevant to State regulation of utility service

COMMISSION POLICY AND ACTIONS IN FERC PROCEEDINGS

The Federal Energy Regulatory Commission ("FERC") regulates, among other things, the rates for wholesale electricity sales by public utilities and transmission of electricity in interstate commerce, the transmission and sale of natural gas for resale in interstate commerce and the transportation of natural gas by interstate pipelines. The primary goal of the ICC's Federal Energy Program is to ensure that the rules, policies, rates, and terms and conditions of service that the FERC establishes for electric transmission service, bulk power sales and natural gas pipeline transportation are fair and reasonable for Illinois energy consumers. The activities of the Commission's Federal Energy Program are discussed in more detail below.

DEVELOPMENTS IN THE NATURAL GAS INDUSTRY

The FERC is responsible for regulating interstate transportation rates and services for natural gas pipelines, the construction of natural gas pipelines and overseeing related environmental matters. Interstate natural gas pipeline transportation service operates under the Order 636 open access rules adopted by the FERC in 1992. In recent years, the FERC's focus in the natural gas arena has been to fine tune its interstate natural gas transportation policy through incremental modifications of open access rulings such as Orders 637 and 712. The FERC's gas policy continues to focus on improving the efficiency and transparency of the natural gas market, encouraging the development of new natural gas storage capacity and transportation infrastructure, increasing competition, and protecting consumers against excessive pipeline transportation rates. To that end in 2010, the FERC continued its efforts to expand natural gas infrastructure by approving numerous pipeline expansions, liquefied natural gas import terminals and storage field projects.

2010 also saw the rapid rise of natural gas production from shale formations. In large measure the increased viability of "shale gas" can be directly attributed to advances in the use of horizontal drilling, well stimulation technologies and refinement in the cost-effectiveness of these technologies. Some forecasts expect shale gas to play a significantly increasing role in the future of North American gas production - increasing from 42 percent of total US gas production in 2007 to 64 percent in 2020. Paired with the continued economic downturn of late, shale gas continues to apply downward pressure on prices for natural gas.

In 2009, the FERC initiated rate reviews of certain natural gas pipelines based on preliminary findings by the FERC's Staff that those pipelines may be earning an excessive rate of return. Natural Gas Pipeline of America, a major transporter of natural gas to Illinois, was one on those pipelines. In 2010, a settlement was reached between Natural Gas Pipeline of America and its shippers which resulted in reduced rates for transportation and storage, as well as reduced fuel rates. This settlement results in reduced rates for natural gas for Illinois ratepayers.

DEVELOPMENTS IN THE ELECTRIC POWER INDUSTRY

In the last decade, the FERC has launched several sweeping reforms and initiatives concerning the regulation of the electricity transmission grid. These efforts have resulted in opening the nation's transmission grid to competitive electricity suppliers, increased efficiency and transparency of electricity markets and the creation of regional transmission organizations ("RTOs") intended to improve grid management, increase competition among wholesale power suppliers and streamline transmission planning. In 2010, one of the most notable issues impacting Illinois with respect to the FERC continues to be the US Court of Appeals for the 7th Circuit remand of the FERC's order approving PJM's cost allocation policy for new 500-kV and above transmission facilities. The ICC appealed the FERC's order to the US Court of Appeals in 2008 after the FERC rejected the ICC's requests for rehearing. The ICC argued that FERC's decision effectively imposed a billion dollars in costs on Illinois electric customers that created no benefits for Illinois and would impose unknown additional billions of dollars of costs. While the FERC initiated a paper hearing process to supplement the record in this proceeding, the remand is still pending before the FERC as of December, 2010. In a related effort, the FERC issued a notice of proposed rulemaking on transmission cost allocation and planning by transmission owning and operating public utilities. Numerous parties, including the ICC, submitted comments and the ICC expects the FERC to issue a final rule on this topic in 2011.

In 2010, the integration of renewable energy sources became a top initiative for the FERC. Numerous orders and rulemakings in recent years have shown that the FERC is working to lay the foundation for integrating the rapid growth of variable energy resources into the nation's power grid. Indeed, there is nothing that indicates that the FERC will not continue its current push for the development of renewable energy resources and associated infrastructure.

With regards to PJM and the Midwest ISO, in 2010, the MidAmerican Energy Company completed its integration into the Midwest ISO. The integration of MidAmerican into the Midwest ISO results in three Illinois utilities (Ameren, MidAmerican and Commonwealth Edison) participating in an RTO. 2010 also saw the Midwest ISO announcing a new cost allocation methodology for new so-called "regional transmission projects". Under the proposed methodology, 100 percent of the costs for certain "Multi-Value Projects" would be socialized across the entire Midwest ISO. The ICC filed comments at the FERC in opposition to the proposed cost allocation methodology as, among other things; the Midwest ISO has failed to show that these types of projects truly provide regional benefits. Other notable events for 2010 in the Midwest ISO include the announcement of Duke Energy of Ohio's intent to withdrawal from the Midwest ISO and instead, join PJM. The Midwest ISO also spent a significant amount of 2010 working on implementing its long-term resource adequacy program.

With regards to PJM, a significant amount of 2010 was focused on incorporating demand resources, shortage pricing and price responsive demand into its long-term capacity procurement mechanism ("RPM") and other PJM-operated markets. RPM's tendency to over-procure capacity continues to be a concern for the ICC, as it results in artificially inflated electricity prices for Illinois end users in the Commonwealth Edison territory.

2010 has seen numerous developments in the electric industry that are of interest to Illinois, in that these developments have real impacts on the price and reliability of electric service that Illinois end-users receive. Accordingly, the ICC continues to remain actively engaged at in both PJM and the Midwest ISO stakeholder processes to address the above-mentioned concerns. The Illinois Electric Service Customer Choice and Rate Relief Law of 1997 (220 ILCS 5/16-101, et seq.), enacted on December 16, 1997, introduced the concept of delivery services and required Illinois utilities to provide open access to delivery services on a phased-in basis. However, in adopting that statute, the Illinois General Assembly recognized that certain components of delivery service may be subject to FERC jurisdiction. Therefore, the statute states:

> An electric utility shall provide the components of delivery services that are subject to the jurisdiction of the Federal Energy Regulatory Commission at the same prices, terms and conditions set forth in its applicable tariff as approved or allowed into effect by that Commission [FERC]. The Commission [ICC] shall otherwise have the authority pursuant to Article IX to review, approve, and modify the prices, terms and conditions of those components of delivery services not subject to the jurisdiction of the Federal Energy Regulatory Commission . . .. (220 ILCS 5/16-108(a))

Furthermore, Section 16-101A(d) of the Public Utility Act mandates:

> The Illinois Commerce Commission should act to promote the development of an effectively competitive electricity market that operates efficiently and is equitable to all consumers.

Accordingly, the ICC continues to be actively engaged at the FERC, working to ensure that the components of delivery service for which the FERC has regulatory oversight responsibility are provided at rates, terms, and conditions that are appropriate for Illinois' retail direct access program. The ICC also continues to advocate transparent wholesale electricity markets, as a transparent wholesale market is a prerequisite that must be developed in order for Illinois' open access retail program to provide greater benefits to retail customers.

NATIONAL DEVELOPMENTS

The production and transmission of renewable energy continues to be a major emphasis for both the FERC and the Department of Energy (DOE). In particular, the FERC has made the integration of renewable energy one of its top initiatives, under which the FERC has approved numerous transmission projects that are intended to facilitate the transportation of wind generated electricity from wind-rich areas of the United States to other portions of the United States and the DOE continues its efforts in creating ways in which clean energy technologies can be deployed. While the ICC generally supports cost effective initiatives in these areas, there is concern that Illinois electricity customers could end up paying a disproportionate share of the costs of such projects. As noted above, the ICC continues to be engaged at the FERC and DOE to ensure that these types of costs are allocated in accordance with the benefits that they provide.

In 2010, both the FERC and the DOE have continued to work towards integrating demand response into the electricity markets. The ICC generally supports these types of initiatives as effective demand response can help reduce the price volatility of electricity, mitigate generation market power and improve the reliability of the transmission grid.

Finally, 2010 saw the establishment of two organizations focusing on transmission planning in the eastern interconnection. The Eastern Interconnection Planning Collaborative ("EIPC") was initiated by a coalition of regional planning authorities such as PJM and the Midwest ISO. EIPC's purpose is to model the impact on the grid of various policy options determined to be of interest by state, provincial and federal policy makers and other stakeholders. The Eastern Interconnection States' Planning Council ("EISPC") represents the 39 states and eight Canadian provinces located within the eastern interconnection electric transmission grid. The intent of EISPC is to provide consistent and coordinated direction to the regional and interconnection-level analyses and planning processes. While still in its early stages, EISPC should provide a significant level of state input and direction to the transmission planning process and increase the probability that the outputs will be useful to state officials whose decisions may determine whether proposals that arise from such analyses become actual investments. EISPC receives its funding from the Department of Energy, pursuant to the American Recovery and Reinvestment Act.

SECTION 9

Recommendations for Proposed Legislation

(9) All recommendations for appropriate legislative action by the General Assembly.

The Commission's legislative agenda for the 97th General Assembly is currently being formulated. A detailed discussion of specific proposals currently under consideration would be premature at this time.

Appendix A

Summary of Significant Commission Decisions

SUMMARY OF SIGNIFICANT COMMISSION DECISIONS

Electric and Gas

09-0306 Central Illinois Light Company d/b/a AmerenCILCO
09-0309
09-0307 Central Illinois Public Service Company d/b/a AmerenCIPS
09-0310
09-0308 Illinois Power Company d/b/a AmerenIP
09-0311

Proposed general increase in electric delivery service rates. (Tariffs filed June 5, 2009)
Proposed general increase in gas delivery service rates. (Tariffs filed June 5, 2009)

On June 5, 2009, AmerenCILCO, AmerenCIPS, and AmerenIP (collectively "Ameren") filed proposed tariffs seeking a general increase in electric and gas delivery service rates in the amount of $225.8 million. Over the course of the proceeding, Ameren reduced its total requested delivery service revenue increase to approximately $130 million. Through the entry of an Order on April 29, 2010 and a Corrected Order on May 6, 2010, the Commission granted Ameren a $14.7 million revenue increase. Thereafter rehearing was held on certain issues, culminating in the entry of an Order on Rehearing on November 4, 2010 granting Ameren an additional $29.1 million increase in revenue. Combined, Ameren received an electric and gas delivery service revenue increase of $43.8 million.

09-0399 Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS, and Illinois Power Company d/b/a AmerenIP

Petition for Approval of Uncollectibles Riders.

09-0419 Peoples Gas Light and Coke Company

Petition pursuant to Public Act 96-0033 for Approval of an Automatic Adjustment Clause to Recover Incremental Uncollectible Expense Amounts.

09-0420 North Shore Gas Company

Petition pursuant to Public Act 96-0033 for Approval of an Automatic Adjustment Clause to Recover Incremental Uncollectible Expense Amounts.

09-0428 Northern Illinois Gas Company d/b/a Nicor Gas Company

Application pursuant to Section 9-201 and Section 19-145 of the Illinois Public Utilities Act for consent to and approval of Rider 26, Uncollectible Expense Adjustment, and related changes to Company's tariffs.

09-0433 Commonwealth Edison Company

Proposed tariff revisions to comply with Section 16-111.8 of the Public Utilities Act. (tariffs filed September 8, 2009)

On February 2, 2010, the Commission entered an Order in each of the above dockets approving tariffs implementing Section 16-111.8 of the Public Utilities Act concerning electric utilities and Section 19-145 of the Act concerning gas utilities. These sections of the Act are substantively identical and provide electric and gas utilities with the opportunity to establish an automatic adjustment clause tariff for the collection of amounts unpaid by customers from all other customers who do pay their bills.

10-0090 **North Shore Gas Company and The Peoples Gas Light and Coke Company**

Petition pursuant to Section 19-140 of the Public Utilities Act to Submit an On-Bill Financing Program.

10-0091 **Commonwealth Edison Company**

Approval of the On-Bill Financing Program pursuant to Section 16-111.7 of the Public Utilities Act.

10-0095 **Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS and Illinois Power Company d/b/a AmerenIP**

Petition for Approval of On-Bill Financing Program.

10-0096 **Northern Illinois Gas Company d/b/a Nicor Gas Company**

Application pursuant to Section 9-201 and Section 19-140 of the Illinois Public Utilities Act for consent to and approval of Rider 31, On-Bill Financing Program and related changes to Nicor Gas' tariffs, and approval of the Energy Efficiency On-Bill Financing Program.

These dockets involve the statutorily mandated on-bill financing programs for the large utilities in Illinois. The on-bill financing programs will allow utility customers to finance energy efficiency measures through a third party financial institution, but make the payments on their energy bills. The Commission entered an Order in each docket on June 2, 2010.

10-0568 **Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS, Illinois Power Company d/b/a AmerenIP**

Verified Petition for Approval of Integrated Electric and Natural Gas Energy Efficiency Plan.

10-0570 **Commonwealth Edison Company**

Approval of the Energy Efficiency and Demand Response Plan Pursuant to Section 8-103(f) of the Public Utilities Act.

In December of 2010, the Commission entered an Order in each of these dockets concerning the energy efficiency and demand response plans of Ameren Illinois Company and Commonwealth Edison Company, as required by Section 8-103 of the Public Utilities Act.

<u>Electric</u>

08-0532 **Illinois Commerce Commission -vs- Commonwealth Edison Company**

Investigation of Rate Design Pursuant to Section 9-250 of the Public Utilities Act.

The Commission initiated this proceeding under Section 9-250 of the Public Utilities Act to investigate all aspects of the rate design for Commonwealth Edison Company. On April 21, 2010, the Commission entered an Order directing ComEd to make changes to many aspects of its rate design, such as for street lighting and uncollectibles. ComEd was to incorporate the changes in its next rate case.

09-0077 **Illinois Commerce Commission On Its Own Motion -vs- Central Illinois Light Company d/b/a AmerenCILCO**

09-0078 **Illinois Commerce Commission On Its Own Motion -vs- Central Illinois Public Service Company d/b/a AmerenCIPS**

09-0079 **Illinois Commerce Commission On Its Own Motion -vs- Illinois Power Company d/b/a AmerenIP**

(Cons.) **Reconciliation of revenues collected under power procurement riders with actual costs associated with power procurement expenditures.**

This proceeding involved the first reconciliation, following the expiration of the statutory electric rate freeze, of power procurement revenues collected from ratepayers by the Ameren Illinois Utilities with costs incurred in connection with proper power procurement activities. For the most part, the "procurement activities" subject to the reconciliation were power supply purchases made pursuant to the auction process authorized in Docket Nos. 05-0160, 05-0161, and 05-0162 (Consolidated). On December 15, 2010, the Commission entered an Order approving the reconciliation, subject to certain adjustments.

09-0080 **Illinois Commerce Commission On Its Own Motion -vs- Commonwealth Edison Company**

Reconciliation of revenues collected under power procurement riders with actual costs associated with power procurement expenditures.

Following the expiration of the statutory electric rate freeze, Commonwealth Edison Company obtained power supply for its customers pursuant to the auction process authorized in Docket No. 05-0159. Those costs were then collected from its customers. The proceeding involved the first reconciliation of those power procurement revenues collected from customers with costs incurred in connection with proper power procurement activities. On December 2, 2010, the Commission entered an Order approving the reconciliation.

10-0138 **Commonwealth Edison Company**

Proposal to establish Rider PORCB (Purchase of Receivables with Consolidated Billing) and to revise other related tariffs.(tariffs filed January 20, 2010)

Effective November 9, 2008, Public Act 95-0700 amended Section 16-118 of the Public Utilities Act to require electric utilities with more than 100,000 customers to file tariffs establishing Utility Consolidated Billing ("UCB") and Purchase of Receivables ("POR") services. Pursuant to this new law, an electric utility must provide a retail electric supplier ("RES") with the option to have the applicable electric utility purchase the suppliers' receivables for the power and energy that they provide to residential and small commercial retail customers. This subsection also requires that the receivables for power and energy service of retail electric suppliers "shall be purchased at a just and reasonable discount rate, to be reviewed and approved by the Commission after notice and a hearing." (220 ILCS 5/16-118(c)). This discount rate is based on the electric utility's historical bad debt and start-up and administrative costs. This new law provides that an electric utility must provide a retail electric supplier with the option to have the electric utility provide single bills to retail customers for both the electric power and energy provided by the retail electric suppliers, and the delivery service provided by the electric utility. On December 15, 2010, the Commission entered an Order establishing the terms for POR and UCB services. The Order also determines how to bill and at what amount for these two types of services.

10-0173 **Illinois Power Company d/b/a AmerenIP and Ameren Illinois Transmission Company**

Petition for an Order pursuant to Section 8-509 of the Public Utilities Act Approving Petitioners' use of Eminent Domain Power.

On November 23, 2010, the Commission entered an Order granting Illinois Power Company d/b/a AmerenIP and Ameren Illinois Transmission Company authority under Section 8-509 of the Public Utilities Act to obtain easements via eminent domain in order to construct a 24-mile long 138 kilovolt electric transmission line in LaSalle County, Illinois.

10-0385 Commonwealth Edison Company

Application for authorization under Section 4-101 of the Illinois Public Utilities Act ("Act"), 220 ILCS § 5/4-101, or alternatively, for a Certificate of Public Convenience and Necessity, pursuant to Section 8-406 of the Act, to install, operate and maintain two new 345,000 volt electric transmission lines in Cook County, Illinois.

The owners of three coal-fired electric generation plants on the southeast side of Chicago have made public their desire to shut down those facilities because of expenses arising from environmental litigation. Currently, these plants provide all of the electricity for the Chicago Loop and the surrounding business district. ComEd filed for permission to install two new circuits in order to re-route electricity coming from other facilities to the central business district in Chicago. On November 23, 2010, the Commission effectively approved ComEd's request to add the two new circuits so that electricity will be provided to the central business district after the generation facilities on the southeast side close.

10-0481 Illinois Commerce Commission On Its Own Motion

Standards for certain electric interconnection that is not subject to 83 Ill. Adm. Code 466 or other rules.

In Docket No. 06-0525, this Commission developed and established the legal and engineering standards for interconnection. Interconnection is the process through which an individual or entity that has an electric generator can sell electricity to an electric utility like Commonwealth Edison Company. However, it was determined in Docket No. 06-0525 that the engineering standards implemented were not appropriate for very large generating facilities. This rulemaking resulted in a standard procedure for interconnection contracts for very large generating facilities. Use of these interconnecting facilities helps to reduce the need for new generating facilities.

10-0563 The Illinois Power Agency

Petition For Approval of the 220 ILCS 5/16-111.5(d) Procurement Plan.

In December of 2010, the Commission entered an Order approving the third Power Procurement Plan proposed by the Illinois Power Agency under Section 16-111.5 of the Public Utilities Act. The Plan provides for the procurement of power for those customers of Ameren Illinois Company and Commonwealth Edison Company not served by an alternative supplier.

<u>Gas</u>

08-0175 Citizens Utility Board, Citizens Action/Illinois and AARP -vs- Illinois Energy Savings Corp. d/b/a U.S. Energy Savings Corp.

Complaint pursuant to 220 ILCS 5/19-110 or 19-115.

Complainants allege violation of the Alternative Gas Supplier Law and consumer fraud. In its April 13, 2010 Order, the Commission found violations of the AGS Law, but disclaimed jurisdiction over the consumer fraud counts. The Order directed Just Energy to pay monetary penalties and required it to undergo an independent audit of its door-to-door sales policies and procedures.

09-0166 Consol. 09-0167 **North Shore Gas Company**

The Peoples Gas Light and Coke Company

Proposed general increase in natural gas rates. (Tariffs filed on February 25, 2009)

These consolidated dockets were the requests for rate increases filed by North Shore Gas Company and The Peoples Gas Light and Coke Company. Along with allowing a portion of the rate increase requested by the utilities, the Commission also approved the request by Peoples Gas for Rider ICR. Rider ICR allows for rider recovery for the costs of the company's accelerated main replacement program within the City of Chicago.

09-0312 **MidAmerican Energy Company**

Proposed general increase in natural gas rates. (Tariffs filed June 2, 2009)

On March 24, 2010, the Commission entered an Order approving a 14.88 percent rate increase (not including gas supply costs, which flow through to customers at cost), while reducing petitioner's requested rate of return and return on equity.

10-0276 **Consumers Gas Company**

Proposed general increase in natural gas rates. (tariffs filed March 2, 2010)

On October 6, 2010, the Commission entered an Order granting Consumers Gas Company an increase in its natural gas delivery rates.

Water & Sewer

09-0251 **Illinois-American Water Company**

Proposed implementation of a Qualifying Infrastructure Plan (QIP) Surcharge Rider.

On March 16, 2010, the Commission entered an Order authorizing Illinois-American Water Company to institute a Qualifying Infrastructure Plan Surcharge Rider in its Champaign, Sterling, Pekin, Lincoln, South Beloit, and Chicago Metro Water and Waste Water Districts.

09-0319 **Illinois-American Water Company**

Proposed general increase in water and sewer rates. (Tariffs filed May 29, 2009)

In this rate proceeding, Illinois-American Water Company proposed to increase the water and sewer rates charged to its customers in Illinois. There are approximately 300,000 such customers located in the Chicago, Peoria, Champaign, Metro-East, and other areas of Illinois. There were numerous interveners and many contested issues in the proceeding. The Commission entered an Order on April 13, 2010 (followed by an Amendatory Order on May 5, 2010) changing rates. The Commission's orders are now on appeal.

10-0194 Aqua Illinois, Inc.

Proposed general increase in water rates for the Kankakee Water Division. (tariffs filed February 1, 2010)

This was a water rate case seeking an increase in rates for Aqua's Kankakee area customers. After an evidentiary hearing and post hearing briefs, an Order was entered on December 2, 2010 granting Aqua an approximate 17 percent rate increase. The Company's prior rates had been in effect since late 2006.

10-0280 Galena Territory Utilities, Inc.

Proposed general increase in water and sewer rates. (tariffs filed March 5, 2010)

On December 15, 2010, the Commission entered an Order approving an increase in water and sewer rates for Galena Territory Utilities Inc. The conclusions in the Order stem from a stipulation entered into by the company, the local property owners' association, and Commission Staff.

Appendix B

Emission Allowance Reports

ALLOWANCE REPORTING FORM

Ameren Energy Generating Company

Reporting Period

October 1, 2009
to
December 31, 2009

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2008	53,801	64,225	(47,827)	(54,280)	53,452	545	69,916
2	2009	69,916	64,225	(42,200)	0	2,500	545	94,986
3	2010	-	64,649	-	0	0	(702)	63,947
4	2011	-	64,649	-	0	0	230	64,879
5	2012	-	64,649	-	0	0	230	64,879
6	2013	-	64,649	-	0	0	230	64,879
7	2014	-	64,649	-	0	0	230	64,879
8	2015	-	64,649	-	0	0	230	64,879
9	2016	-	64,649	-	0	0	230	64,879
10	2017	-	64,649	-	0	0	230	64,879
11	2018	-	64,649	-	0	0	230	64,879
12	2019	-	64,649	-	0	0	230	64,879
13	2020	-	64,649	-	0	0	(702)	63,947

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2021	-	64,649	-	0	0	230	64,879
15	2022	-	64,649	-	0	0	230	64,879
16	2023	-	64,649	-	0	0	230	64,879
17	2024	-	64,649	-	0	0	230	64,879
18	2025	-	64,649	-	0	0	230	64,879
19	2026	-	64,649	-	0	0	230	64,879
20	2027	-	64,649	-	0	0	230	64,879
21	2028	-	64,649	-	0	0	230	64,879
22	2029	-	64,649	-	0	0	230	64,879
23	2030	-	64,649	-	0	0	230	64,879
24	2031	-	64,649	-	0	0	230	64,879
25	2032	-	64,649	-	0	0	230	64,879
26	2033	-	64,649	-	0	0	230	64,879
27	2034	-	64,649	-	0	0	230	64,879
28	2035	-	64,649	-	0	0	230	64,879
29	2036	-	64,649	-	0	0	230	64,879
30	2037	-	64,649	-	0	0	230	64,879
31	2038	-	64,649	-	0	0	230	64,879

ALLOWANCE REPORTING FORM

Ameren Energy Generating Company

Reporting Period

July 1, 2010
to
September 30, 2010

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2008	53,801	64,225	(47,827)	(54,280)	53,452	545	69,916
2	2009	69,916	64,225	(42,200)	0	2,500	545	94,986
3	2010	94,986	64,649	(23,255)	0	0	1,157	137,537
4	2011	-	64,649	-	0	0	230	64,879
5	2012	-	64,649	-	0	0	230	64,879
6	2013	-	64,649	-	0	0	230	64,879
7	2014	-	64,649	-	0	0	230	64,879
8	2015	-	64,649	-	0	0	230	64,879
9	2016	-	64,649	-	0	0	230	64,879
10	2017	-	64,649	-	0	0	230	64,879
11	2018	-	64,649	-	0	0	230	64,879
12	2019	-	64,649	-	0	0	230	64,879
13	2020	-	64,649	-	0	0	(702)	63,947

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2021	-	64,649	-	0	0	230	64,879
15	2022	-	64,649	-	0	0	230	64,879
16	2023	-	64,649	-	0	0	230	64,879
17	2024	-	64,649	-	0	0	230	64,879
18	2025	-	64,649	-	0	0	230	64,879
19	2026	-	64,649	-	0	0	230	64,879
20	2027	-	64,649	-	0	0	230	64,879
21	2028	-	64,649	-	0	0	230	64,879
22	2029	-	64,649	-	0	0	230	64,879
23	2030	-	64,649	-	0	0	230	64,879
24	2031	-	64,649	-	0	0	230	64,879
25	2032	-	64,649	-	0	0	230	64,879
26	2033	-	64,649	-	0	0	230	64,879
27	2034	-	64,649	-	0	0	230	64,879
28	2035	-	64,649	-	0	0	230	64,879
29	2036	-	64,649	-	0	0	230	64,879
30	2037	-	64,649	-	0	0	230	64,879
31	2038	-	64,649	-	0	0	230	64,879

Note: On June 15, 2010 USEPA returned 1,859 unused allowances to us from the Conservation and Renewable Energy Reserve.

ALLOWANCE REPORTING FORM

Ameren Energy Resources Generating Company

Reporting Period

October 1, 2009
to
December 31, 2009

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2008	24,823	33,228	(18,403)	0	0	246	39,894
2	2009	39,894	33,228	(12,240)	0	0	246	61,128
3	2010	-	29,190	-	0	0	105	29,295
4	2011	-	29,190	-	0	0	105	29,295
5	2012	-	29,190	-	0	0	105	29,295
6	2013	-	29,190	-	0	0	105	29,295
7	2014	-	29,190	-	0	0	105	29,295
8	2015	-	29,190	-	0	0	105	29,295
9	2016	-	29,190	-	0	0	105	29,295
10	2017	-	29,190	-	0	0	105	29,295
11	2018	-	29,190	-	0	0	105	29,295
12	2019	-	29,190	-	0	0	105	29,295
13	2020	-	29,190	-	0	0	105	29,295

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2021	-	29,190	-	0	0	105	29,295
15	2022	-	29,190	-	0	0	105	29,295
16	2023	-	29,190	-	0	0	105	29,295
17	2024	-	29,190	-	0	0	105	29,295
18	2025	-	29,190	-	0	0	105	29,295
19	2026	-	29,190	-	0	0	105	29,295
20	2027	-	29,190	-	0	0	105	29,295
21	2028	-	29,190	-	0	0	105	29,295
22	2029	-	29,190	-	0	0	105	29,295
23	2030	-	29,190	-	0	0	105	29,295
24	2031	-	29,190	-	0	0	105	29,295
25	2032	-	29,190	-	0	0	105	29,295
26	2033	-	29,190	-	0	0	105	29,295
27	2034	-	29,190	-	0	0	105	29,295
28	2035	-	29,190	-	0	0	105	29,295
29	2036	-	29,190	-	0	0	105	29,295
30	2037	-	29,190	-	0	0	105	29,295
31	2038	-	29,190	-	0	0	105	29,295

ALLOWANCE REPORTING FORM

Ameren Energy Resources Generating Company

Reporting Period

July 1, 2010
to
September 30, 2010

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2008	24,823	33,228	(18,403)	0	0	246	39,894
2	2009	39,894	33,228	(12,240)	0	0	246	61,128
3	2010	61,128	29,190	(9,678)	0	0	950	81,590
4	2011	-	29,190	-	0	0	105	29,295
5	2012	-	29,190	-	0	0	105	29,295
6	2013	-	29,190	-	0	0	105	29,295
7	2014	-	29,190	-	0	0	105	29,295
8	2015	-	29,190	-	0	0	105	29,295
9	2016	-	29,190	-	0	0	105	29,295
10	2017	-	29,190	-	0	0	105	29,295
11	2018	-	29,190	-	0	0	105	29,295
12	2019	-	29,190	-	0	0	105	29,295
13	2020	-	29,190	-	0	0	105	29,295

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2021	-	29,190	-	0	0	105	29,295
15	2022	-	29,190	-	0	0	105	29,295
16	2023	-	29,190	-	0	0	105	29,295
17	2024	-	29,190	-	0	0	105	29,295
18	2025	-	29,190	-	0	0	105	29,295
19	2026	-	29,190	-	0	0	105	29,295
20	2027	-	29,190	-	0	0	105	29,295
21	2028	-	29,190	-	0	0	105	29,295
22	2029	-	29,190	-	0	0	105	29,295
23	2030	-	29,190	-	0	0	105	29,295
24	2031	-	29,190	-	0	0	105	29,295
25	2032	-	29,190	-	0	0	105	29,295
26	2033	-	29,190	-	0	0	105	29,295
27	2034	-	29,190	-	0	0	105	29,295
28	2035	-	29,190	-	0	0	105	29,295
29	2036	-	29,190	-	0	0	105	29,295
30	2037	-	29,190	-	0	0	105	29,295
31	2038	-	29,190	-	0	0	105	29,295

Note: On June 15, 2010 USEPA returned 845 unused allowances to us from the Conservation and Renewable Energy Reserve.

Cordova Energy Company LLC
24712 192nd Ave N
Cordova IL 61242

ALLOWANCE REPORTING FORM

Reporting Period

October 1, 2009 to December 31, 2009

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2000	0	0	0	0	0	0	0
2	2001	0	0	1	0	20	0	19
3	2002	19	0	2	0	0	0	17
4	2003	17	0	0	0	0	0	17
5	2004	17	0	1	0	0	0	16
6	2005	16	0	2	0	0	0	14
7	2006	14	0	0	0	0	0	14
8	2007	14	0	2	0	0	0	12
9	2008	12	0	0	0	0	0	12
10	2009	12	0	0	0	0	0	12
11		---		---				
12		---		---				
13		---		---				

Cordova Energy Company LLC

ALLOWANCE REPORTING FORM

Reporting Period

July 1, 2010 **to** September 30, 2010

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2000	0	0	0	0	0	0	0
2	2001	0	0	1	0	20	0	19
3	2002	19	0	2	0	0	0	17
4	2003	17	0	0	0	0	0	17
5	2004	17	0	1	0	0	0	16
6	2005	16	0	2	0	0	0	14
7	2006	14	0	0	0	0	0	14
8	2007	14	0	2	0	0	0	12
9	2008	12	0	0	0	0	0	12
10	2009	12	0	0	0	0	0	12
11	2010	12	0	0	0	0	0	12
12		---		---				
13		---		---				

Electric Energy, Inc.

FORM 213/20

ALLOWANCE REPORTING FORM

Reporting Period

January 1, 2009 to December 31, 2009

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2009	55,227	-----	24,239	0			30,988
2	2010	29,040	-----	0	0			29,040
3	2011	29,040	-----	0	0			29,040
4	2012	29,040	-----	0	0			29,040
5	2013	29,040	-----	0	0			29,040
6	2014	29,040	-----	0	0			29,040
7	2015	29,040	-----	0	0			29,040
8	2016	29,040	-----	0	0			29,040
9	2017	29,040	-----	0	0			29,040
10	2018	29,040	-----	0	0			29,040
11	2019	29,040	-----	0	0			29,040
12	2020	29,040	-----	0	0			29,040
13	2021	29,040	-----	0	0			29,040

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2022	29,040	-----	0	0			29,040
15	2023	29,040	-----	0	0			29,040
16	2024	29,040	-----	0	0			29,040
17	2025	29,040	-----	0	0			29,040
18	2026	29,040	-----	0	0			29,040
19	2027	29,040	-----	0	0			29,040
20	2028	29,040	-----	0	0			29,040
21	2029	29,040	-----	0	0			29,040
22	2030	29,040	-----	0	0			29,040
23	2031	29,040	-----	0	0			29,040
24	2032	29,040	-----	0	0			29,040
25	2033	29,040	-----	0	0			29,040
26	2034	29,040	-----	0	0			29,040
27	2035	29,040	-----	0	0			29,040
28	2036	29,040	-----	0	0			29,040
29	2037	29,040	-----	0	0			29,040
30	2038	0	29,040	0	0			0
31				0	0			0

Electric Energy, Inc.

FORM 213/20

ALLOWANCE REPORTING FORM

Reporting Period

January 1, 2010 to September 30, 2010

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2010	60,028	-----	19,517	0		854	41,365
2	2011	29,040	-----	0	0			29,040
3	2012	29,040	-----	0	0			29,040
4	2013	29,040	-----	0	0			29,040
5	2014	29,040	-----	0	0			29,040
6	2015	29,040	-----	0	0			29,040
7	2016	29,040	-----	0	0			29,040
8	2017	29,040	-----	0	0			29,040
9	2018	29,040	-----	0	0			29,040
10	2019	29,040	-----	0	0			29,040
11	2020	29,040	-----	0	0			29,040
12	2021	29,040	-----	0	0			29,040
13	2022	29,040	-----	0	0			29,040

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2023	29,040	-----	0	0			29,040
15	2024	29,040	-----	0	0			29,040
16	2025	29,040	-----	0	0			29,040
17	2026	29,040	-----	0	0			29,040
18	2027	29,040	-----	0	0			29,040
19	2028	29,040	-----	0	0			29,040
20	2029	29,040	-----	0	0			29,040
21	2030	29,040	-----	0	0			29,040
22	2031	29,040	-----	0	0			29,040
23	2032	29,040	-----	0	0			29,040
24	2033	29,040	-----	0	0			29,040
25	2034	29,040	-----	0	0			29,040
26	2035	29,040	-----	0	0			29,040
27	2036	29,040	-----	0	0			29,040
28	2037	29,040	-----	0	0			29,040
29	2038	29,040	-----	0	0			29,040
30	2039	29,040	-----	0	0			29,040
31	2040	0	29,040	0	0			29,040

MidAmerican Energy Company

ALLOWANCE REPORTING FORM

Reporting Period

October 1, 20 09

To

December 31, 20 09

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2009	52,556	67,606	43,235	9,375	36,571	0	104,123
2	2010	-----	59,139	-----	0	0	0	59,139
3	2011	-----	59,139	-----	0	0	0	59,139
4	2012	-----	59,139	-----	0	0	0	59,139
5	2013	-----	59,139	-----	0	1,988	0	61,127
6	2014	-----	59,139	-----	0	9,118	0	68,257
7	2015	-----	59,139	-----	0	0	0	59,139
8	2016	-----	59,139	-----	0	0	0	59,139
9	2017	-----	59,139	-----	0	0	0	59,139
10	2018	-----	59,139	-----	0	0	0	59,139
11	2019	-----	59,139	-----	0	0	0	59,139
12	2020	-----	59,139	-----	0	0	0	59,139
13	2021	-----	59,139	-----	0	0	0	59,139

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2022	-----	59,139	-----	0	0	0	59,139
15	2023	-----	59,139	-----	0	0	0	59,139
16	2024	-----	59,139	-----	0	0	0	59,139
17	2025	-----	59,139	-----	0	0	0	59,139
18	2026	-----	59,139	-----	0	0	0	59,139
19	2027	-----	59,139	-----	0	0	0	59,139
20	2028	-----	59,139	-----	0	0	0	59,139
21	2029	-----	59,139	-----	0	0	0	59,139
22	2030	-----	59,139	-----	0	0	0	59,139
23	2031	-----	59,139	-----	0	0	0	59,139
24	2032	-----	59,139	-----	0	0	0	59,139
25	2033	-----	59,139	-----	0	0	0	59,139
26	2034	-----	59,139	-----	0	0	0	59,139
27	2035	-----	59,139	-----	0	0	0	59,139
28	2036	-----	59,139	-----	0	0	0	59,139
29	2037	-----	59,139	-----	0	0	0	59,139
30	2038	-----	59,139	-----	0	0	0	59,139
31	2039	-----	59,139	-----	0	0	0	59,139

MidAmerican Energy Company

MidAmerican Energy Company

ALLOWANCE REPORTING FORM

Reporting Period

July 1, 20 10

To

September 30, 20 10

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)[1]	USEPA Allowance Allocation (C)[2]	YTD Allowance Usage (D)[3]	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2010	104,123	59,139	39,908	0	0	1,347	124,701
2	2011	-----	59,139	-----	0	0	0	59,139
3	2012	-----	59,139	-----	0	0	0	59,139
4	2013	-----	59,139	-----	0	1,988	0	61,127
5	2014	-----	59,139	-----	0	9,118	0	68,257
6	2015	-----	59,139	-----	0	0	0	59,139
7	2016	-----	59,139	-----	0	0	0	59,139
8	2017	-----	59,139	-----	0	0	0	59,139
9	2018	-----	59,139	-----	0	0	0	59,139
10	2019	-----	59,139	-----	0	0	0	59,139
11	2020	-----	59,139	-----	0	0	0	59,139
12	2021	-----	59,139	-----	0	0	0	59,139
13	2022	-----	59,139	-----	0	0	0	59,139

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)(1)	USEPA Allowance Allocation (C)(2)	YTD Allowance Usage (D)(3)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2023	-----	59,139	-----	0	0	0	59,139
15	2024	-----	59,139	-----	0	0	0	59,139
16	2025	-----	59,139	-----	0	0	0	59,139
17	2026	-----	59,139	-----	0	0	0	59,139
18	2027	-----	59,139	-----	0	0	0	59,139
19	2028	-----	59,139	-----	0	0	0	59,139
20	2029	-----	59,139	-----	0	0	0	59,139
21	2030	-----	59,139	-----	0	0	0	59,139
22	2031	-----	59,139	-----	0	0	0	59,139
23	2032	-----	59,139	-----	0	0	0	59,139
24	2033	-----	59,139	-----	0	0	0	59,139
25	2034	-----	59,139	-----	0	0	0	59,139
26	2035	-----	59,139	-----	0	0	0	59,139
27	2036	-----	59,139	-----	0	0	0	59,139
28	2037	-----	59,139	-----	0	0	0	59,139
29	2038	-----	59,139	-----	0	0	0	59,139
30	2039	-----	59,139	-----	0	0	0	59,139
31	2040	-----	59,139	-----	0	0	0	59,139

The Clean Air Interstate Rule ("CAIR") Sulfur Dioxide Program Phase I became effective January 1, 2010. The CAIR program utilizes existing Title IV sulfur dioxide allowances and requires sources covered by the program to retire two vintage 2010-2014 Title IV sulfur dioxide allowances for every one ton of sulfur dioxide emissions. Title IV sulfur dioxide allowances of vintage 2009 or earlier retain the original one allowance for one ton of sulfur dioxide emissions value. MidAmerican Energy Company currently holds both vintages of Title IV sulfur dioxide allowances.

(1). Allowance vintage 2009 or earlier, one allowance for one ton of sulfur dioxide emissions.

(2). Allowance vintages 2010-2014, two allowances for one ton of sulfur dioxide emissions.

(3). For the period of January 1, 2010 - September 30, 2010 39,908 tons of sulfur dioxide were emitted which equates to 39,908 vintage 2009 or earlier allowances or 79,816 vintage 2010-2014 allowances. The actual count of 2010 allowances used will depend on the mixture of the vintage years ultimately retired with the Environmental Protection Agency for 2010 sulfur dioxide emissions. The actual mixture of allowances for compliance will be filed in February 2011 and is subject to change until that time.